



Essex County Council

Audit, Governance and Standards Committee

10:00	Monday, 25 March 2019	Committee Room 1, County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

Andy Gribben, Senior Democratic Services Officer

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| 5 | Update on Adult Mental Health Services Internal Audit Review
To receive a verbal update from Chris Martin, Director, Strategic Commissioning and Policy, regarding progress made since his presentation to members on 17 September 2018 | |
| 6 | Internal Audit and Counter Fraud Plan 2019-20
To receive a report (AGS/28/19 and appendix 1) from Paula Clowes, Head of Assurance | 83 - 108 |
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| 8 | Report on the outcome of the Committee on Standards in Public Life review of Local Government Ethical Standards
To receive a report (AGS/30/19) from Paul Turner, Director, Legal and Assurance | 122 - 130 |
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| 10 | Date of Next Meeting
To note that the next meeting will be held on Monday 3 June 2019 at 10.00am in Committee Room 1 | |

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

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Should you wish to record the meeting, please contact the officer shown on the agenda front page

Agenda item 1

Committee: Audit, Governance and Standards Committee

Enquiries to: Andy Gribben, Senior Democratic Services Officer

Membership, Apologies, Substitutions and Declarations of Interest

Recommendations:

To note

1. The membership of the committee (as shown below)
2. Apologies and substitutions
3. Declarations of interest to be made by Members in accordance with the Members' Code of Conduct

Membership

(Quorum: 3)

Councillor T Cutmore	Chairman
Councillor P Channer	
Councillor A Davies	
Councillor A Erskine	
Councillor T Hedley	Vice-Chairman
Councillor R Mitchell	
Councillor R Moore	
Councillor M Platt	
Councillor K Smith	
Councillor A Turrell	

Minutes of the meeting of the Audit, Governance and Standards Committee, held in Committee Room 1 County Hall, Chelmsford, CM1 1QH on Monday, 10 December 2018**Present:****Members:**

Councillor P Channer	
Councillor T Cutmore	Chairman
Councillor A Davies	
Councillor A Erskine	
Councillor A Hedley	Vice-Chairman
Councillor R Mitchell	
Councillor Dr R Moore	
Councillor A Turrell	

Also Present:

David Eagles	BDO LLP (external auditors)
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ECC Officers:

Paula Clowes	Head of Assurance
Christine Golding	Chief Accountant
Andy Gribben	Senior Democratic Services Officer (clerk to the meeting)
Paul Turner	Director, Legal and Assurance (Monitoring Officer)

1. Welcome and Introduction

The Chairman welcomed members of the committee, officers in attendance, the representative from the external auditors and members of the public to the meeting. He also noted that Councillors Maddocks and Sheldon were observing.

He reminded members that the meeting was being broadcast live over the internet and that the full discussion would be publicly available on the County Council's website after the meeting.

2. 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. Apologies for absence had been received from Councillor Smith.
3. There were no declarations of interest. The Chairman reminded members that any interests must be declared during the meeting if the need to do so arose.

3 Minutes and Matters Arising

The minutes of the meeting held on 17 September 2018 were approved as a correct record and signed by the Chairman.

There were no matters arising.

4 Welcome and Introduction

The Chairman introduced to the members of the committee, Mr David Eagles, Partner, Public Sector Assurance of BDO LLP, the Council's external auditors.

5 Internal Audit and Counter Fraud Progress Report

Members of the committee received from Paula Clowes – Head of Assurance, a report (AGS/24/18) that provides the current position regarding Internal Audit and Counter Fraud activity in relation to the 2018/19 Internal Audit Plan (approved by the Audit, Governance and Standards Committee in March 2018).

The report reflected the situation as at 30 November 2018 and the members noted the key issues that were:

- That there were no 'No Assurance' reports
- That there were two reports of 'Limited Assurance' regarding:

Personal Budgets: This had remained of 'Limited Assurance' but it was noted that there had been an improvement since the last audit in 2016. There were two major recommendations relating to policies and procedures and Monitoring and Review.

De la Salle School: There were three major recommendations relating to governance, financial management and income. Members noted that the school had an Interim Executive Board in place due to previous governance issues at the school.

- A full half year review of the Audit Plan had been undertaken leading to a number of changes or deferred audits.
- The number of outstanding Audit Recommendations had reduced in the last quarter and some new target dates were being agreed.
- The members of the committee were advised that the Council had reached a good level of performance against CIPFA standards for Counter Fraud Self-Assessment.

Resolved:

1. That the report be noted.

The Committee also agreed that:

2. Officers would write on behalf of the Chairman of the Committee to those 'Owners' from whom an insufficient response has been received regarding Outstanding Audit Recommendations, advising them that unless a satisfactory response were received they would be invited to appear at a meeting of the committee in order to explain progress and why no updates had been provided.
3. A revised schedule of Outstanding Audit Recommendations, showing responses received should be circulated by email to all members of the committee by mid-January.
4. It was further agreed that, notwithstanding any response, a representative of EPUT should attend the March 2019 committee in order to answer questions.

6 Regulation of Investigatory Powers Act 2000

Members of the committee received from Paul Turner, Director, Legal and Assurance, a report (AGS/25/18) updating the policy to reflect recent changes to the law.

The report also updated the Committee on the recent use (or non-use) of the powers.

Resolved:

1. That the updated policy at Appendix 1 to the report be approved.
2. That the Director, Legal and Assurance continue to have delegated authority to make minor amendments to amend the policy.
3. That the Committee note that no applications for directed surveillance or the use of a CHIS have been made by anyone at ECC since the last report to the committee in March 2018.

7 Date of Next Meeting

Members noted that the next meeting of the committee was scheduled to be on Monday 25 March 2019 at 10.00am in Committee Room 1

The meeting closed at 10.40am.

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Chairman
25 March 2019

agenda item 3	
AGS/26/19	
Report title: Closure of Accounts 2018/19	
Report to Audit, Governance and Standards Committee	
Report author: Margaret Lee – Executive Director of Corporate and Customer Services	
Date of meeting: 25 March 2019	For: Information
Enquiries to <i>Margaret Lee,</i> <i>Executive Director for Corporate and Customer Services</i> Tel. No: 03330 134558	
Divisions affected: All Essex	

1. Purpose of report

- 1.1 The purpose of this report is to provide the Audit, Governance and Standards Committee with an overview of the activities and arrangements in place for closure of the Council's 2018/19 accounts, and for production and approval of the Statement of Accounts.

2. Recommendations

- 2.1 The Committee notes the arrangements in place for closure and approval of the Council's Accounts for 2018/19.

3. Background

- 3.1 The process of closing the Accounts, and of producing the information required to enable the external auditor to give an unqualified opinion on the accounts, is both complex and time constrained.
- 3.2 The Council is statutorily required to compile its annual accounts in compliance with generally accepted accounting practice. It is also required to:
- Present its annual accounts for external audit by **31st May** each year; and
 - Publish its audited accounts by **31st July** each year.

4. Arrangements for closure of the 2018/19 Accounts

- 4.1 There are several key strands of activity necessary to close the accounts:
- Activities necessary to derive the revenue and capital 'provisional outturn' positions for Cabinet Members' portfolios, and to assess the impact of those positions on the Council's reserves, balances and capital financing resources;
 - Technical accounting activity necessary to ensure compliance with generally accepted accounting practice;
 - Activities necessary to produce consolidated Group Accounts (i.e. accounts which consolidate the Council's own position with that of its local authority trading companies).

The following paragraphs provide an overview of these key strands of activity and the deadlines we are working to this year.

Determining the Provisional Outturn position

- 4.2 The activities necessary to determine the revenue and capital outturn positions are primarily focussed on determining whether income and expenditure should be recognised in the accounts for this year, or a later year. This is because the Council is obliged to recognise income and expenditure when it is earned or incurred, regardless of when the cash is received or paid.
- 4.3 Significant input is required from budget holders to complete this activity. Specifically, budget holders are required to identify any:
- Income earned but not received at 31st March 2019;
 - Expenses incurred but not yet paid at 31st March 2019;
 - Any amounts already received/paid that relate to goods or services to be provided or received after 31st March 2019;
 - Any amount that may need to be paid to settle an obligation that exists at 31st March 2019, but the requirement to make this payment is uncertain.

Budget holders are required to submit this information via a Web Based Tool during the period **28th March** to **3rd April**, although the Tool will be available before **28th March**, to enable budget holders to start work on their returns prior to the submission deadline. A series of communications are planned, in the run up

to the **3rd April** deadline, to ensure that budget holders are aware of what is expected from them.

- 4.4 Finance will process budget holder returns, and action any other accounting entries necessary to finalise services' outturn positions, by the end of the subsequent week (i.e. by **12th April**).
- 4.5 During week commencing **15th April**, work will commence on validating the provisional outturn position and on assessing the impact this has on the Council's reserves and balances.

Technical accounting activity

- 4.6 The main closure activities necessary to ensure compliance with generally accepted accounting practice are summarised as follows:
- Account for the consumption, revaluation and acquisition and disposal of the Council's Property, Plant and Equipment assets;
 - Restate payments made under PFI and lease contracts to separate the amounts paid for use of the assets from the amounts related to services provided under these contracts;
 - Account for the Council's share of Collection Fund surpluses / deficits and its share of the end of year balances in respect of Council Tax and Non Domestic Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments.
 - Replace employer's pension contributions with the cost of providing retirement benefits, on the basis of information provided by the Pension Fund Actuary.
- 4.7 Statutory regulations permit / require the effect of these entries to be mitigated, ensuring that none of these adjustments impact on the Council's General Fund balance or other usable reserves.

- 4.8 The majority of this work will be finalised during late April and early May.

Group Accounts

- 4.9 In addition to the activities outlined above, which form the basis of entries within the Council's 'single entity' accounts, the Council is also required to produce 'group accounts'. These consolidate the Council's own accounts with those for ECL Ltd. Transactions between the Council and ECL Ltd are eliminated on consolidation.
- 4.10 The Group Accounts will also be produced in late April and/or early May, dependent on when the accounts for ECL Ltd are available.

5. Arrangements for audit and approval of the Statement of Accounts

- 5.1 The draft Statement of Accounts will be presented to the Audit, Governance and Standards Committee on **3rd June**, for information only. The agenda papers for this meeting will be published by **28th May** (at the latest), which is ahead of the statutory deadline of 31st May for release of the draft Statement of Accounts for external audit and public inspection.
- 5.2 The period for the exercise of public rights will commence on **3rd June** and run for a period of 30 working days. During this period, the public have the right to raise objections, inspect the accounts and question the Local Auditor.
- 5.3 The external audit of the accounts will also commence on **3rd June**, although some interim work has already been undertaken. The Committee will be aware that BDO LLP will be undertaking their first external audit of the Council this year. The Council has already been actively engaging with BDO to prepare for this year's audit, and to assist with familiarisation of the Council's systems and processes; this engagement will be ongoing in the run up to, and duration of, this year's external audit.
- 5.4 The external auditor will report the results of the audit work to the Committee on **29th July**, at which stage the Committee will also be asked to approve the Statement of Accounts for publication. The Committee will be required to consider the external auditor's findings before authorising the accounts for issue.

6. Whole of Government Accounts

- 6.1 The Whole of Government Accounts (WGA) initiative, which has statutory backing, is to produce a set of consolidated financial accounts for the entire UK public sector on commercial accounting principles. English local authorities are the largest element of this consolidation process. The WGA return is based on, but is separate to, authorities' statutory financial statements.
- 6.2 At the time of writing this report, it is anticipated that the timetable for production and audit of the WGA return will be consistent with the timetable for 2017/18. This being the case, the WGA return will need to be completed by mid-June and audited by the end of August.

7. Other matters

- 7.1 The Council is required to produce its Statement of Accounts in compliance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on European Union adopted International Financial Reporting Standards.

- 7.2 The version of the Code applicable for the 2018/19 financial year incorporates two new International Financial Reporting Standards:
- IFRS 9 Financial Instruments
 - IFRS 15 Revenue from Contracts with Customers

7.3 IFRS 9 will:

- Change the default accounting treatment for investments from one where gains and losses in value are not recognised as income or expenditure until an investment matures or is disposed of, to one where income or expenditure is recognised when fair value gains and losses arise;
- Change the model for impairment loss allowances for financial assets from one based on incurred losses to one based on expected losses;
- Change the basis for accounting for modified loans.

Statutory regulations will enable gains or losses on pooled investment funds carried at 'fair value through profit and loss' to be charged to a reserve used solely for that purpose until 31 March 2023.

- 7.4 IFRS 15 introduces a new model for the recognition of contractual income, based on allocating the overall transaction price for the goods and/or services to be provided against the satisfaction of the various performance obligations in the contract.

- 7.5 Adoption of these standards will be applied retrospectively, but only by restating opening balances for 2018/19. Comparative figures for prior years will continue to be presented according to the Council's previous accounting policies.

8. External Auditor's Audit Plan

- 8.1 The 2018/19 Audit Plan is presented elsewhere on the Agenda and explains the work that BDO LLP plans to perform to provide their opinion on the Council's Financial Statements and its arrangements to secure economy, efficiency and effectiveness.

9. Policy context and Outcomes Framework

- 9.1 The Statement of Accounts for 2018/19 will summarise the financial performance and financial position for the Council for the year ending 31st March 2019. As such, they will provide a financial representation of activities during 2018/19 against the Corporate Plan.

10. Financial Implications

- 10.1 There are no specific financial implications associated with this report.

11. Legal Implications

11.1 There are no legal implications associated with this report.

12. Staffing and other resource implications

12.1 Closure of the accounts is a significant activity that requires substantial input from Finance staff. The Finance team will put interim arrangements in place, if needed, to ensure that there is enough capacity within the team to meet the deadlines for closing this year's accounts.

13. Equality and Diversity implications

13.1 There are no equality and diversity implications associated with this report.

14. List of appendices

14.1 None

15. List of Background Papers

15.1 None

agenda item 4	
AGS/27/19	
Report title: 2018/19 Audit Plans for Essex County Council and the Essex Pension Fund	
Report to Audit, Governance and Standards Committee	
Report author: Margaret Lee – Executive Director of Corporate and Customer Services	
Date of meeting: 25 March 2019	For: Information
Enquiries to <i>Margaret Lee,</i> <i>Executive Director for Corporate and Customer Services</i> Tel. No: 03330 134558	
Divisions affected: All Essex	

1. Purpose of report

- 1.1 The purpose of this report is to present BDO LLP's 2018/19 Audit Plans for the County Council and for the Essex Pension Fund, as appended.

2. Recommendations

- 2.1 None – the report is for information only.

3. Background

- 3.1 The Audit Plans explain how BDO LLP intends to carry out their responsibilities as auditor of the County Council and the Essex Pension Fund. Specifically, they provide the Committee with a basis to review BDO's approach and scope for the 2018/19 audits, to ensure that they are aligned with the Committee's expectations.
- 3.2 The plans summarise BDO's initial assessment of the key risks driving the development of an effective audit for the County Council and the Essex Pension Fund and outline their planned audit strategy in response to those risks.
- 3.3 BDO welcome the opportunity to discuss these plans with the Committee.

4. Policy context and Outcomes Framework

- 4.1 The Audit Plans explain the approach that BDO intends to take to provide their opinion on the Statement of Accounts of Essex County Council and the Essex Pension Fund, and on the Council's arrangements to secure value for money in the use of resources.
- 4.2 The Statement of Accounts provides a financial representation of activities against the Corporate Plan.

5. Financial Implications

- 5.1 There are no specific financial implications associated with this report.

6. Legal Implications

- 6.1 There are no legal implications associated with this report.

7. Staffing and other resource implications

- 7.1 There are no staffing or other resource implications associated with this report.

8. Equality and Diversity implications


- 8.1 There are no equality and diversity implications associated with this report.

9. List of appendices

- **Appendix A** – 2018/19 Audit Plan for Essex County Council.
- **Appendix B** – 2018/19 Audit Plan for Essex Pension Fund.

10. List of Background Papers

- 10.1 None



Report to the Audit, Governance and Standards Committee

ESSEX COUNTY COUNCIL

Audit Planning: year ending 31 March 2019

IDEAS | PEOPLE | TRUST



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WELCOME

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We have pleasure in presenting our Audit Planning Report to the Audit, Governance and Standards Committee Committee of Essex County Council (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2019 in respect of our audit of the financial statements of the Council and consolidated entities (together the 'group') and use of resources; comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

We look forward to discussing this plan with you at the Audit, Governance and Standards Committee meeting on 25 March 2019 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.



David Eagles

1 March 2019



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This report has been prepared solely for the use of the Audit, Governance and Standards Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

SCOPE AND MATERIALITY

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This summary provides an overview of the key audit matters that we believe are important to the Audit, Governance and Standards Committee in reviewing the planned audit strategy for the Council for the year ending 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

Audit scope

The scope of the audit is determined by the NAO's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties.

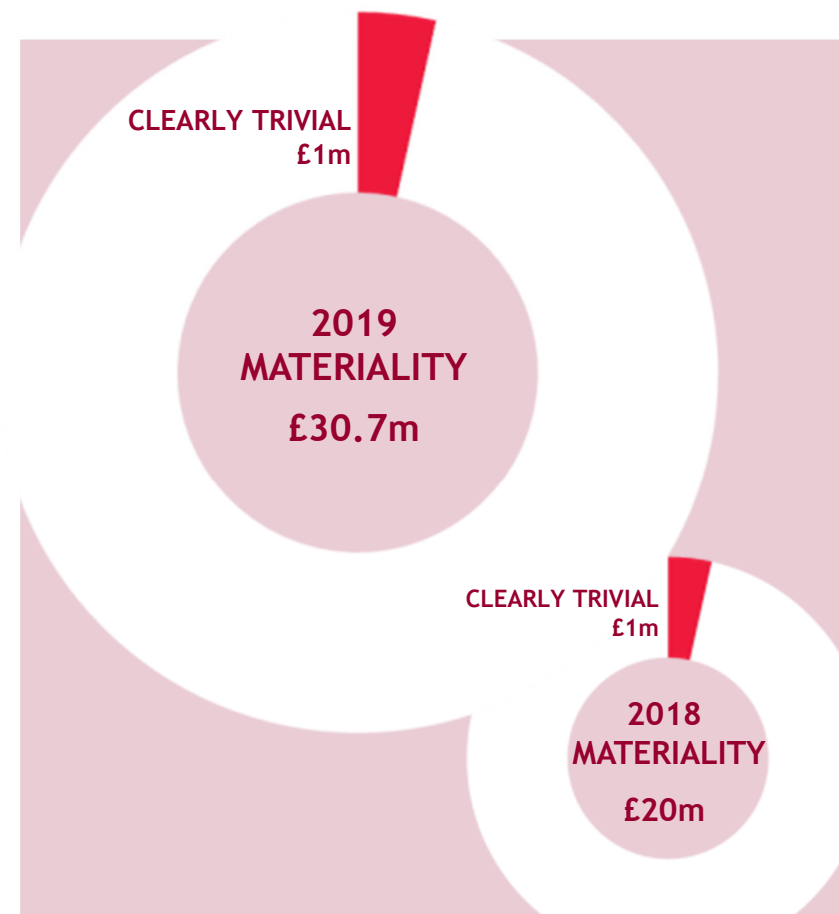
Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the NAO.

Materiality

Planning materiality for the Council will be set at 1.50% of gross expenditure for the year using the prior year gross expenditure figure. This will be revisited when the draft financial statements are received for audit.

Prior year materiality is shown for reference. This is as reported by the predecessor auditor in their Audit Planning Report for the year ended 31 March 2018.

Although materiality is the judgement of the engagement lead, the Audit, Governance and Standards Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.



AUDIT STRATEGY

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Our Audit Strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher, or where there is a risk that the organisation has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

We have discussed the changes to the organisation, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the Group's activities and to determine which risks impact on the numbers and disclosures in the financial statements, or on its arrangements for securing economy, efficiency and effectiveness in its use of resources.

The table on the next page summarises our planned approach to audit risks identified.

A lower level of materiality is applied to the areas of the financial statements that are considered to be sensitive, such as senior management remuneration disclosures, auditor's remuneration disclosures and related party disclosures.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

AUDIT RISK OVERVIEW

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Risk identified - Financial statements	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Revenue recognition	Significant	Yes	Substantive	Medium
Property, Plant & Equipment and Investment Property valuation	Significant	No	Substantive	High
Pension liability assumptions	Significant	No	Substantive	High
Waste PFI	Significant	No	Substantive	High
Related party transactions	Normal	No	Substantive	Low
Implementation of IFRS 9 financial instruments	Normal	No	Substantive	Medium
Implementation of IFRS 15 revenue from contracts with customers	Normal	No	Substantive	Medium

Risk identified - Use of resources

Sustainable finances	Significant	No	Detailed review	High
Waste treatment services	Significant	No	Detailed review	Medium

INDEPENDENCE AND FEES

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Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

Fees

	2018/19 £	2017/18 £
Code audit fees	⁽¹⁾ 126,265	⁽²⁾ 163,981
Total audit fees	126,265	163,981
Non audit fees		
- Teachers' Pension return certification	TBC	13,250
Non audit fees	TBC	13,250
Total fees	TBC	177,231

⁽¹⁾ PSAA has set the 2018/19 fee scale on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

⁽²⁾ The planned Code audit fee for 2017/18 was £163,981. The predecessor auditor reported in their Annual Audit Letter that audit risks identified in 2017/18 resulted in additional audit procedures. An additional fee of £9,229 was proposed in respect of this matter. We understand that PSAA are yet to approve this proposed additional fee and it is excluded from the 2017/18 column in the table above.

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OVERVIEW

Key components of our audit objectives and strategy for the Council are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

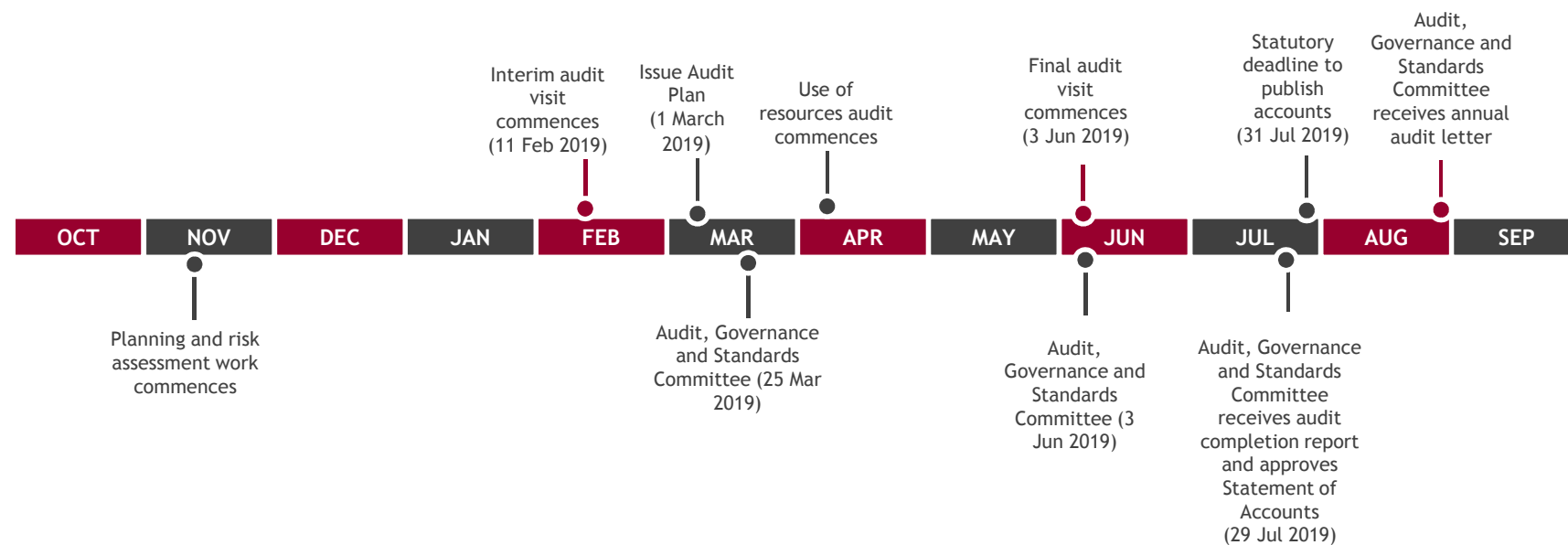
We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the NAO.
Financial statements	We will express an opinion on the Council and Group financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2018/19 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information contained in the Statement of Accounts to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Use of resources	We will report where we consider that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
WGA	We will review the Whole of Government Accounts (WGA) return and express an opinion on the return whether it is consistent with the audited financial statements.
Additional powers and duties	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to the Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Report to the Audit, Governance and Standards Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Audit, Governance and Standards Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.



AUDIT TIMELINE

An overview of the key dates



BDO TEAM

Team responsibilities

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David Eagles
Engagement Lead

t: 01473 320 728
e: david.eagles@bdo.co.uk

As audit Engagement Lead, I have primary responsibility to ensure that the appropriate audit opinions are given. In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I will ensure that we have undertaken sufficient work to assess the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources against the guidance published by the NAO.

I am responsible for the overall quality of the engagement and am supported by the rest of the team, as set out here.



Janine Combrinck
Director

t: 020 7893 2631
e: janine.combrinck@bdo.co.uk

I will lead on our assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

I will support David and Barry in the delivery of the financial statements audit.



Barry Pryke
Senior Manager

t: 020 7893 3794
e: barry.pryke@bdo.co.uk

I will lead on the audit of the Council's financial statements.

I work closely with David to develop and execute the audit strategy. I will be a key point of contact on a day to day basis for the Council and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to Management and the Audit, Governance and Standards Committee are highlighted on a timely basis.

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OVERVIEW

We have assessed the following as financial statements audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
2. Revenue (and expenditure) recognition			<p>There is risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).</p> <p>There is also a risk of manipulation of expenditure recognition by inappropriately deferring expenditure by including expenditure in the following year.</p>
3. Property, Plant & Equipment and Investment Property valuation			There is a risk over the valuation of land, buildings, and investment properties where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.
4. Pension liability valuation			There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.
5. Waste Treatment Plant Private Finance Initiative (PFI)			There is a risk that assets and liabilities associated with the Waste Treatment Plant PFI are treated incorrectly in the Council's accounts.
6. Related party transactions			There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting requirements.
7. Classification and measurement of financial instruments (IFRS 9)			<p>There is a risk that relevant financial assets and liabilities are not classified and measured in accordance with the new accounting standard.</p> <p>There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the new standard.</p>
8. Revenue from contracts with customers (IFRS 15)			<p>There is a risk that relevant revenue streams are not recognised in the financial statements in accordance with the new standard.</p> <p>There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the new standard.</p>

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ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Council

Risk detail

- ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Planned audit approach

Our audit procedures will include the following:

- Review and verification of large and unusual journal entries made in the year, agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction;
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.



REVENUE (AND EXPENDITURE) RECOGNITION

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Under auditing standards there is a presumption that income recognition presents a fraud risk.

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Substantive testing approach
Risk highlighted by Council

Risk detail

- In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).
- We have rebutted the risk of revenue recognition in respect of the Council's other revenue streams, including taxation and non-specific grant income, fees and charges and interest and investment income.
- In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to cut-off of expenditure, where testing will be focussed.

Planned audit approach

Our audit procedures will include the following:

- Test a sample of grants included in income to documentation from grant paying bodies and check whether recognition criteria have been met; and
- Test a sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period and that all expenditure that should have been recorded at year end has been.

PROPERTY, PLANT & EQUIPMENT AND INVESTMENT PROPERTY VALUATION

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There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Council

Risk detail

- Local authorities are required to ensure that the carrying value of land, buildings and investment properties is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.
- The Council applies a five-year rolling revaluation programme to its land and buildings, with surplus assets and investment properties revalued annually. A market review is performed at the end of the financial year to determine whether material movements may have occurred since the valuation date. Property revaluations and the market review are undertaken by the Council's external property advisors.
- Due to the significant value of the Council's land, buildings and investment properties and the high degree of estimation uncertainty, there is a risk over the valuation of these assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

Planned audit approach

Our audit procedures will include the following:

- Review the instructions provided to the external valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirm that the basis of valuation for assets valued in year is appropriate based on their usage;
- Review accuracy and completeness of asset information provided to the valuer such as rental agreements and sizes
- Review assumptions used by the valuer and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual; and
- Review all properties not subject to in-year valuation against changes in market conditions to assess the impact on the value of the Council's portfolio

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There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Substantive testing approach
Risk highlighted by Council

Risk detail

- The net pension liability comprises the Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions.
- An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Planned audit approach

Our audit procedures will include the following:

- Agree the disclosures to the information provided by the pension fund actuary;
- Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Review the controls for providing accurate membership data to the actuary; and
- Check whether any significant changes in membership data have been communicated to the actuary.

WASTE TREATMENT PLANT PFI

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There is a risk that assets and liabilities associated with the Waste Treatment Plant PFI are treated incorrectly in the Council's accounts.

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Substantive testing approach
Risk highlighted by Council

Risk detail

- The Council is party to a PFI arrangement for the design, construction and operation of a waste treatment plant. As disclosed in the Council's 2017/18 Statement of Accounts, construction of the plant commenced in May 2013 and achieved the Readiness Date in November 2014. The Facility remains in the commissioning phase and the contractual long stop date has passed. The Council and operator of the facility are currently utilising contractual and dispute mechanism to resolve issues which have occurred during the commissioning phase.
- There is a risk that assets and liabilities associated with the Waste Treatment Plant PFI are treated incorrectly in the Council's accounts.

Planned audit approach

Our audit procedures will include the following:

- Review the contract with the operator of the facility to confirm that the Council's treatment of the arrangement is consistent with the terms set out in the contract and the requirements of CIPFA's Code of Practice on Local Authority Accounting; and
- Consider the basis for any judgements made by management in determining the treatment of the assets and liabilities associated with the arrangement.

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There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting 2018/19 requirements.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Council

Risk detail

- Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit, Governance and Standards Committee.
- There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting requirements.

Planned audit approach

Our audit procedures will include the following:

- Review management processes and controls to identify and disclose related party transactions;
- Review relevant information concerning any such identified transactions;
- Discuss with management and review councillors' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertake Companies House searches for potential undisclosed interests.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (IFRS 9)

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There is a risk that financial instruments are not classified and measured in accordance with IFRS9.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Council

Risk detail

- IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and loans provided to others) and liabilities (principally borrowing) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.
- CIPFA has published guidance to assist with the required review and any restatement required where the classification needs to be amended.
- The Council will need to undertake a review of all relevant assets and liabilities to determine the appropriate classification in the financial statements. This will need to include both the Council and component entities in the Group financial statements with particular focus on those components who report under UK GAAP, rather than IFRS, as this new accounting standard has not yet been adopted into UK GAAP. There is a risk that relevant financial assets and liabilities are not classified and measured in accordance with the new accounting standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard.

Planned audit approach

Our audit procedures will include the following:

- Review the work performed by the Council, once undertaken, to assess the new classification of financial instruments in accordance with the guidance on both the Council and the component bodies in the Group; and
- Review the disclosures required relating to the adoption of the new accounting standard.

REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

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There is a risk that revenue from contracts with customers is not measured in accordance with IFRS 15.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Council

Risk detail

- IFRS 15 revenue from contracts with customers has been implemented for 2018/19 and requires all relevant revenue streams to be reviewed under a new '5-step model' to determine the appropriate point at which revenue can be recognised.
- CIPFA has published guidance to assist with the required review including what revenue falls within IFRS 15 or IPSAS 23 revenue from non-exchange transactions, and the process for determining the correct recognition points and amounts for revenue.
- The Council will need to undertake a review of all relevant revenue streams to determine the appropriate recognition date and amounts in the financial statements. This will need to include both the Council and component entities in the Group financial statements with particular focus on those components who report under UK GAAP, rather than IFRS, as this new accounting standard has not yet been adopted into UK GAAP. There is a risk that relevant revenue streams are not recognised in the financial statements in accordance with the new standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard

Planned audit approach

Our audit procedures will include the following:

- Review the work performed by the Council, once undertaken, to assess the impact of the new '5-step model' on revenue streams on both the Council and the component bodies in the Group; and
- Review the disclosures required relating to the adoption of the new accounting standard.

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OVERVIEW

We have assessed the following as use of resources audit risks. These are matters assessed as most likely to impact on our use of resources conclusion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Description of risk	Significant risk	Normal risk	Overview of risk
1. Sustainable finances			The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.
2. Waste treatment services			There is a risk of insufficient arrangements in place to plan for the future of waste treatment if decisions are put on hold pending the outcome of legal proceedings.

SUSTAINABLE FINANCES

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The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Detailed review	
Risk highlighted by Council	

Risk detail

- The Organisation Plan 2019/20, approved by the Council in February 2019, includes a Medium Term Resources Strategy (MTRS) to 2021/22 that forecasts further reductions in central Government funding, inflationary pressures and increasing demand for social care services.
- Significant levels of savings are required to balance the budget in each year of the MTRS.
- The 2019/20 budget includes £60 million of identified savings and efficiencies. There are a number of schemes in progress to generate these savings, including contract efficiencies, back office savings through process efficiency, service redesign and digital services, increasing income from fees and charges and commercial activity, development of the Council's fostering service and seeking more cost effective ways of supporting children with disabilities.
- However, the Council still needs to find a further £100 million of savings over the medium term to 2021/22, of which £72 million will need to be achieved in 2020/21. The most recent Budget Outlook reviewed by the Corporate Leadership Team forecasts that this savings requirement will escalate to a cumulative £163 million in 2023/24.
- The Council needs to maintain a strong focus on identifying further savings and producing a balanced budget over the medium term.

Planned audit approach

Our audit procedures will include the following:

- Review the financial outturn for 2018/19 and progress against the 2019/20 budget, as a starting point for assessing the effectiveness of financial management arrangements;
- Consider the reasonableness of the MTRS assumptions, including investment costs associated with major savings schemes and capital projects;
- Review arrangements to identify savings, including any relevant Internal Audit work, evidence underpinning a sample of identified savings schemes, and progress towards identifying further savings to balance the budget in the medium term; and
- Carry out benchmarking to compare the Council's financial performance against other county councils, taking account of relevant contextual information, in informing our assessment of the strength of the Council's financial management arrangements.

WASTE TREATMENT SERVICES

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There is a risk of insufficient arrangements in place to plan for the future of waste treatment if decisions are put on hold pending the outcome of legal proceedings.

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Detailed review
Risk highlighted by Council

Risk detail

- As noted under the financial statements audit risks above, the Council and operator of a waste treatment plant under a PFI arrangement are currently utilising contractual and dispute mechanisms to resolve issues which have occurred during the commissioning phase. Both parties are presently engaged in the litigation process, with the court trial commencing in April 2019.
- There is a risk that the Council may not be adequately planning for the future of waste treatment in the county, including making informed decisions based on expected or possible scenarios, as it awaits the outcome of the forthcoming court trial.

Planned audit approach

Our audit procedures will include the following:

- Through discussion with relevant officers, obtain an understanding of planning arrangements in place regarding waste treatment services;
- Assess whether appropriate scenario planning has been carried out to support informed decision making.

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OTHER MATTERS REQUIRING FURTHER DISCUSSION

Fraud

Whilst the Audit, Governance and Standards Committee as those charged with governance have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We have not been made aware of any actual, alleged or suspected incidences of fraud. We request confirmation from the Audit, Governance and Standards Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Significant estimates

We will report to you on significant estimates. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historic judgements and estimates. We will report to you our consideration of whether Management estimates and judgements are within an acceptable range.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Laws and regulations

We will consider compliance with Laws and regulations. The most significant of these for your business includes VAT legislation and Employment Taxes. We will make enquiries of Management and review correspondence with the relevant authorities.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

IT GENERAL CONTROLS

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IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data centre and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.



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INDEPENDENCE

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ending 31 March 2019.

Non-audit services

Details of services and fees other than audit, provided by us to the Council during the period and up to the date of this report are set out in the appendices.

Details of rotation arrangements for key members of the audit team and others involved in the engagement are set out in the appendices.

Details of other threats and safeguards applied are given in the appendices.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council and the Group.

We also confirm that we have obtained confirmation of independence external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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SUMMARY

Fees summary for year ending 31 March 2019

	2018/19 £	2017/18 £
Code audit fees	(1) 126,265	(2) 163,981
Total audit fees	126,265	163,981
Non audit fees		
- Teachers' Pension return certification	TBC	13,250
Non audit fees	TBC	13,250
Total fees	TBC	177,231

(1) PSAA has set the 2018/19 fee scale on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

(2) The planned Code audit fee for 2017/18 was £163,981. The predecessor auditor reported in their Annual Audit Letter that audit risks identified in 2017/18 resulted in additional audit procedures. An additional fee of £9,229 was proposed in respect of this matter. We understand that PSAA are yet to approve this proposed additional fee and it is excluded from the 2017/18 column in the table above.



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COUNCIL’S RESPONSIBILITIES

The Council’s Responsibilities and Reporting

Financial reporting

The Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Council accounts for its stewardship and use of the public money at its disposal.

The form and content of the Council’s financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Council is also required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury’s Whole of Government Accounts.

The Section 151 Officer is responsible for preparing and filing an Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

Use of resources

Councils are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.

In preparing its governance statement, the Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

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Our responsibilities and reporting - financial statements

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated and the Council's financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

Our responsibilities and reporting - use of resources

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This means that we have regard to relevant guidance issued by the NAO and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Council and Audit, Governance and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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Those charged with governance

References in this report to Those Charged With Governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit, Governance and Standards Committee.

In communicating with the Audit, Governance and Standards Committee, representing Those Charged With Governance of the Council and the Group, we consider Those Charged With Governance of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

Communication, Meetings and Feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Planning Report

The Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the Report.

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TEAM MEMBER ROTATION

These tables indicate the latest rotation periods normally permitted under the independence rules for the terms of appointment by PSAA.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place before
David Eagles	1	5 years
Janine Combrinck	1	10 years
Barry Pryke	1	10 years

Independence - audit quality control

Role	Number of years involved	Rotation to take place before
Engagement Quality Control Reviewer	1	7 years

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MATERIALITY: DEFINITION AND APPLICATION

Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. senior managers remuneration and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the Group, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the Group financial statements.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

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If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Audit, Governance and Standards Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

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AUDIT QUALITY

BDO’s audit quality cornerstones underpin the firm’s definition of audit quality.

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at www.bdo.co.uk



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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

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Report to the Audit, Governance and Standards Committee

ESSEX PENSION FUND

Audit Planning: year ending 31 March 2019

Issued: 13 March 2019

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WELCOME

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We have pleasure in presenting our Audit Planning Report to the Audit, Governance and Standards Committee of Essex County Council (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2019 in respect of our audit of the financial statements of Essex Pension Fund comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

We look forward to discussing this plan with you at the Audit, Governance and Standards Committee meeting on 25 March 2019 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

David Eagles, Partner

for and on behalf of BDO LLP

13 March 2019



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SCOPE AND MATERIALITY

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This summary provides an overview of the key audit matters that we believe are important to the Audit, Governance and Standards Committee in reviewing the planned audit strategy for the Pension Fund for the year ending 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

Audit scope

The scope of the audit is determined by the NAO's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements, ensuring that other information published together with the audited financial statements is consistent with the financial statements and our knowledge obtained during the audit, and reviewing the pension fund to check the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.

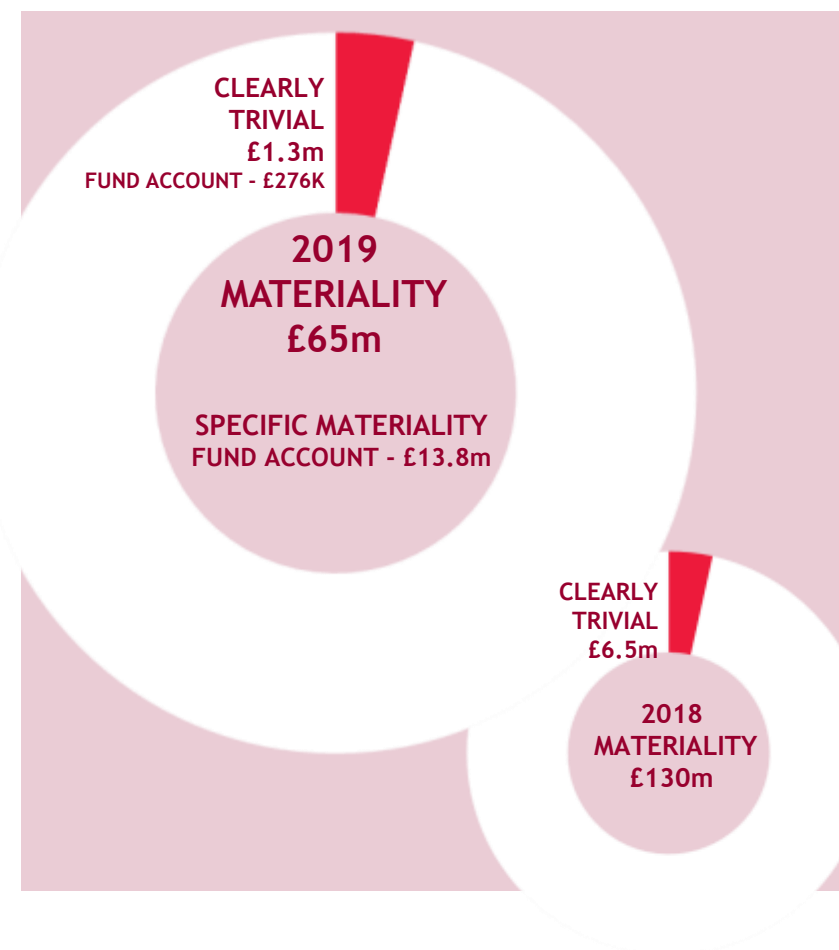
Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the NAO.

Materiality

Planning materiality for the pension fund financial statements will initially be based on 1% of net assets. Specific materiality (at a lower level) may be considered appropriate for the fund account balances and we set materiality based on 5% of total contributions receivable.

At this stage, these figures are based on the prior year net assets and contributions. This will be revisited when the draft financial statements are received for audit.

Although materiality is the judgement of the engagement lead, the Audit, Governance and Standards Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.



AUDIT STRATEGY

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Our Audit Strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher.

We have discussed the changes to the organisation, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the pension fund's activities and to determine which risks impact on the numbers and disclosures in the financial statements.

A lower level of materiality is applied to the areas of the financial statements that are considered to be sensitive, such as senior management remuneration disclosures, auditor's remuneration disclosures and related party disclosures.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

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Risk identified	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Valuation of investments (unquoted and direct property investments)	Significant	No	Substantive	High
Pension liability valuation	Significant	No	Substantive	High
Valuation of investments (pooled investments)	Normal	No	Substantive	Medium
Contributions receivable	Normal	No	Substantive	Medium
Classification of financial instruments (IFRS 9)	Normal	No	Substantive	Low

INDEPENDENCE AND FEES

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Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

Fees

	2018/19 £	2017/18 £
PSAA scale fees	⁽¹⁾ 24,075	31,266
Additional fee for IAS19 assurance requests from scheduled bodies	⁽²⁾ 5,500	5,500
Total audit fees	29,575	36,766

⁽¹⁾ PSAA has set the 2018/19 fee scale at £24,075 on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18 of £31,266. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

⁽²⁾ We anticipate charging an additional fee of £5,500 in 2018/19 to take into account the additional work required to respond to IAS 19 assurance requests from scheduled bodies. This is consistent with the additional fee charged in 2017/18.

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OVERVIEW

Audit scope and objectives

Key components of our audit objectives and strategy for the pension fund are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

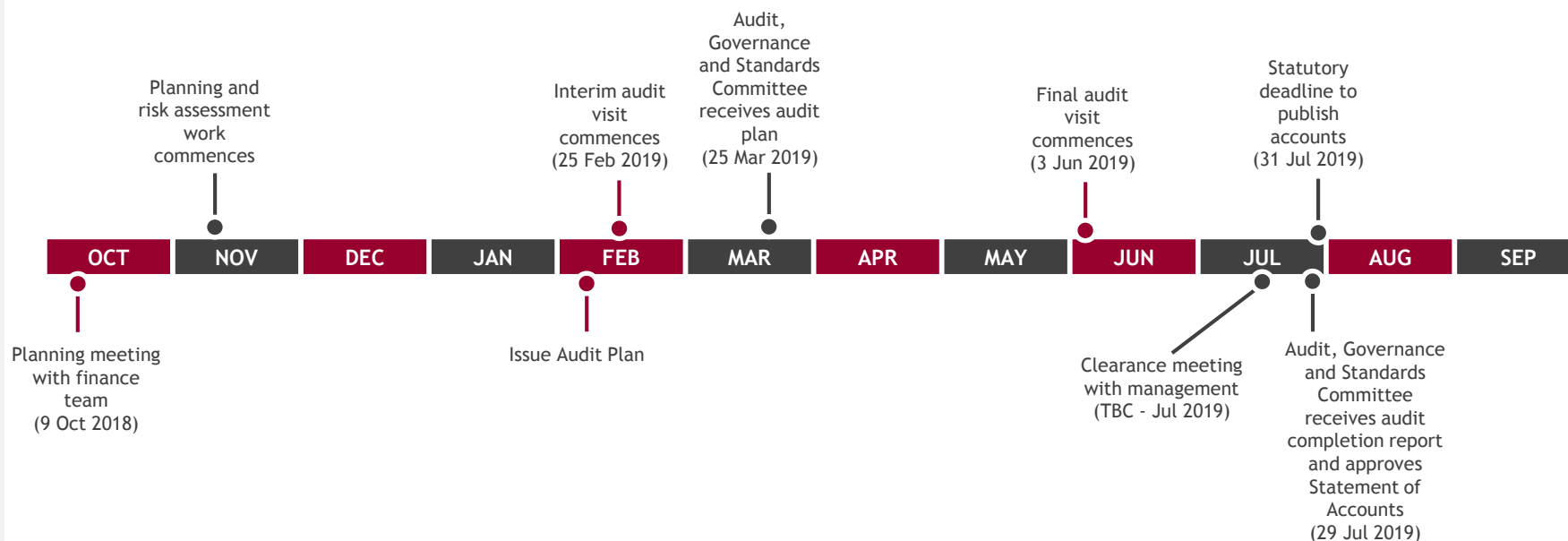
Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the NAO.
Financial statements	We will express an opinion on the pension fund’s financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2018/19 and other directions.
Pension fund report	We will review the pension fund annual report and report on the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.
Report to the Audit, Governance and Standards Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Audit, Governance and Standards Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.



AUDIT TIMELINE

An overview of the key dates

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BDO TEAM

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As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinion is given.

In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I am responsible for the overall quality of the engagement and am supported by the rest of the team as set out here.



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Manager

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I will lead on the audit of the pension fund.

I work closely with David to develop and execute the audit strategy. I will be a key point of contact on a day to day basis for the Pension Fund and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to Management and the Audit, Governance and Standards Committee are highlighted on a timely basis.



Vusal Asgarov
Senior

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I will be the audit senior on the audit of the pension fund.

I work closely with Nuwan to execute the audit strategy. I will provide management support for audit.

OVERVIEW

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

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Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
2. Valuation of investments (unquoted and direct property investments)			There is a risk that unquoted and direct property investments are not appropriately valued in the financial statements due to significant level of assumption and estimation involved in the valuation of these assets.
3. Pension liability valuation			There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.
4. Valuation of investments (pooled investments)			There is a risk that pooled investments may not be appropriately valued and correctly recorded in the financial statements.
5. Contributions receivable			There is a risk that employers may not be calculating contributions correctly and paying over the full amount dues (on normal and deficit rates) or that the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.
6. Classification of financial instruments (IFRS 9)			There is a risk that financial instruments are not classified and measured in accordance with new financial reporting standard.

MANAGEMENT OVERRIDE OF CONTROLS

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**ISA (UK) 240 presumes
that Management is in a
unique position to
perpetrate fraud.**

Significant risk

Normal risk

Fraud risk

Assess design &
implementation of controls
to mitigate

Significant Management
estimates & judgements

Controls testing
approach

Substantive testing
approach

Risk highlighted by the
pension fund

Risk detail

- ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Planned audit approach

Our audit procedures will include the following:

- Review and verification of large and unusual journal entries made in the year and agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction;
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.



VALUATION OF INVESTMENTS (UNQUOTED AND DIRECT PROPERTY INVESTMENTS)

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There is a risk that unquoted and direct property investments are not appropriately valued in the financial statements.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by pension fund

Risk detail

- The investment portfolio includes unquoted private equity, debt, infrastructure and timberlands which are valued by the fund managers. The pension fund also makes direct investments in freehold and leasehold properties which are based on valuations received from the fund managers. The valuation of these assets may be subject to a significant level of assumption and estimation, and valuations may not be based on observable market data. Due to significance of these valuations, even a small change in assumptions and estimates could have a material impact on the financial statements.
- In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. Due to current market volatility the valuation received can quickly become outdated.
- As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.

Planned audit approach

Our audit procedures will include the following:

- Obtain direct confirmation of investment valuations from the fund managers and request copies of the audited financial statements (and member allocations) from the fund;
- Review the valuation completed by the fund manager and any significant assumptions made in the valuation;
- Where the financial statement date supporting the valuation is not coterminous with the pension fund's year end, confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds; and
- Ensure investments have been correctly valued in accordance with the relevant accounting policies.

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There is a risk that the membership data and cash flows provided to the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by pension fund

Risk detail

- An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the 2016 triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.
- There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Planned audit approach

Our audit procedures will include the following:

- Agree the disclosures to the information provided by the pension fund actuary;
- Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Review the controls for providing accurate membership data to the actuary; and
- Check whether any significant changes in membership data have been communicated to the actuary.

VALUATION OF INVESTMENTS (POOLED INVESTMENTS)

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There is a risk that pooled investments may not be appropriately valued and correctly recorded in the financial statements.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by pension fund

Risk detail

- The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by the Custodian (Northern Trust). These valuation are reported on a quarterly basis although there may be amendments to the 'flash' valuations initially provided and subsequent final valuations that may be received after the draft accounts have been prepared.
- There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Planned audit approach

Our audit procedures will include the following:

- Obtain direct confirmation of investment valuations from the fund managers including any subsequent final valuations to 'flash' valuations in the draft accounts;
- Ensure that investments have been correctly valued in accordance with the relevant accounting policies; and
- Obtain independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

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There is a risk that employers may not be calculating contributions correctly or the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Substantive testing approach
Risk highlighted by pension fund

Risk detail

- Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.
- Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.
- There is a risk that employers may not be calculating contributions correctly, paying over the full amount due to the pension fund or charging employers the capital cost of pension strain due to early retirement.

Planned audit approach

Our audit procedures will include the following:

- Test a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Review contributions receivable and ensure that income is recognised in the correct accounting period where the employer is making payments in the following month; and
- Carry out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

CLASSIFICATION OF FINANCIAL INSTRUMENTS (IFRS 9)

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There is a risk that financial instruments are not classified and measured in accordance with new financial reporting standard.

Significant risk

Normal risk

Fraud risk

Assess design &
implementation of controls
to mitigate

Significant Management
estimates & judgements

Controls testing
approach

Substantive testing
approach

Risk highlighted by pension
fund

Risk detail

- IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and receivables) and liabilities (principally payables) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.
- The pension fund has short term receivables (contributions due from employers and employees) and will be required to calculate an expected credit loss on the receivables, rather than the previous model based on incurred losses.
- There is a risk that financial instruments are not classified and measured in accordance with IFRS9 and the new disclosures required by these new standards are omitted.

Planned audit approach

Our audit procedures will include the following:

- Review the work performed by the pension fund, once undertake, to assess the impact of IFRS 9 on the financial statements; and
- Review the disclosures required relating to the adoption of the new accounting standard.

OTHER MATTERS REQUIRING FURTHER DISCUSSION

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Fraud

Whilst the Audit, Governance and Standards Committee as those charged with governance have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We request confirmation from the Audit, Governance and Standards Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Significant estimates

We will report to you on significant estimates. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historic judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Laws and regulations

We will consider compliance with Laws and regulations. The most significant of these for the Pension Fund includes the Local Government Pension Scheme Regulation 2013. We will make enquiries of Management and review correspondence with the relevant authorities.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit, Governance and Standards Committee.

Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

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IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data centre and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.



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Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ending 31 March 2019. Details of rotation arrangements for key members of the audit team and others involved in the engagement are set out in the appendices.

Details of other threats and safeguards applied are given in the appendices.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Pension Fund.

We also confirm that we have obtained confirmation of independence from external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the pension fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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SUMMARY

Fees summary for year ending 31 March 2019

	2018/19 £	2017/18 £
PSAA scale fees	(1) 24,075	31,266
Proposed supplementary fee variation	(2) 5,500	5,500
Total audit fees	29,575	36,766

(1) PSAA has set the 2018/19 fee scale at £24,075 on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18 of £31,266. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms’ costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

(2) We anticipate charging an additional fee of £5,500 in 2018/19 to take into account the additional work required to respond to IAS 19 assurance requests from scheduled bodies. This is consistent with the additional fee charged in 2017/18.





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PENSION FUND'S RESPONSIBILITIES

The pension fund’s responsibilities and reporting

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Financial reporting

The Pension Fund is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the pension fund accounts for its stewardship.

The form and content of the financial statements should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and publishing the Statement of Accounts (including the financial statements) and Pension Fund Annual Report which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

OUR RESPONSIBILITIES

Responsibilities and reporting

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on the pension fund's financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts and Pension Fund Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the pension fund and the Audit, Governance and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



COMMUNICATION WITH YOU

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Those charged with governance

References in this report to Those Charged With Governance are to the Council (as the administrating authority of the pension fund) as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit, Governance and Standards Committee.

Communication, Meetings and Feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Planning Report

The Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the Report.

TEAM MEMBER ROTATION

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These tables indicate the latest rotation periods normally permitted under the independence rules for the terms of appointment by PSAA.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place before
David Eagles Engagement Lead	1	5 years (last year will be 2022/23)
Nuwan Indika Audit Manager	1	10 years

Independence - audit quality control

Role	Number of years involved	Rotation to take place before
Engagement Quality Control Reviewer	1	7 years

MATERIALITY: DEFINITION AND APPLICATION

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Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the pension fund, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

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If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Audit, Governance and Standards Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

AUDIT QUALITY

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Audit quality

BDO's audit quality cornerstones underpin the firm's definition of audit quality.

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at www.bdo.co.uk

MINDSET

- Scepticism
- Independent
- Focus on the shareholder as user
- Robustness and moral courage.

KNOWLEDGEABLE, SKILLED PEOPLE

- Knowledge of the business
 - Intelligent application of auditing standards
 - Intelligent application of accounting standards
- Understanding of the control environment.

AUDIT QUALITY CORNERSTONES

- How to assess - benchmarking
- Where to focus - risk-based approach
- How to test - audit strategy
- What to test - materiality and scope.

DILIGENT PROFESSIONAL JUDGEMENTS

- Audit reports
 - Management letter
- Audit Committee Reports
 - Top quality financial statement.

HIGH QUALITY AUDIT OUTPUTS

FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

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Report title: Internal Audit and Counter Fraud Plan 2019/20	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes – Head of Assurance	
Date: 25 March 2019	For: Decision
Enquiries to: Paula Clowes – Head of Assurance paula.clowes@essex.gov.uk Tel: 03330321474	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 The Council is required under the Accounts and Audit Regulations 2015 to maintain an adequate and effective system of internal audit, and this responsibility has been delegated to the Executive Director for Corporate and Customer Services (S151 officer). The Internal Audit and Counter Fraud Team provide independent and objective assurance that the system of governance, risk management and control is operating effectively.
- 1.2 The proposed activity of the Internal Audit and Counter Fraud Service is captured in an annual plan (see Appendix 1). Coverage within the plan, combined with other sources of assurance, should be sufficient to enable the Head of Assurance in her capacity as the chief audit executive to provide the Audit, Governance and Standards Committee with an independent, objective, and evidence based opinion on the overall adequacy and effectiveness of the Council's system of internal control. The planned coverage will also inform the Council's Annual Governance Statement.

2. Recommendations

- 2.1 Members are requested to approve the 2019/20 Internal Audit and Counter Fraud Plan at appendix 1 to this report

3. Financial Implications

- 3.1 There are no financial implications as the Internal Audit activity for 2019/2020 will be met within existing resources.

4. Legal Implications

- 4.1 Internal audit is a key way in which councillors can be assured that the Council is using its resources effectively and that the Council is discharging its fiduciary duties concerning taxpayers' money. It helps services to design systems which have appropriate controls and also helps identify and respond to breaches if they occur.

5. Staffing and Other Resource Implications

- 5.1 There are no staffing or resource implications.

6. Equality and Diversity Implications

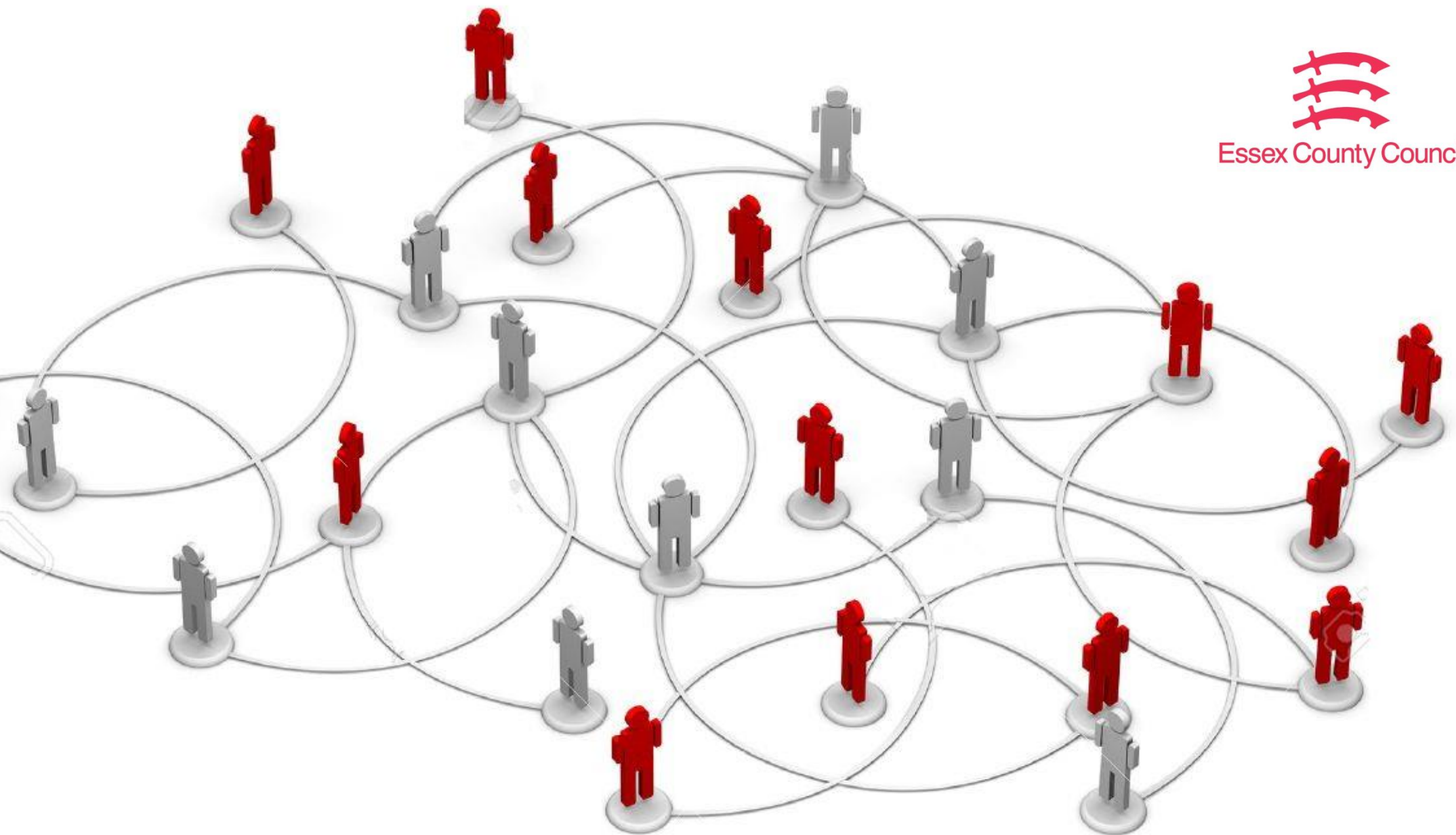
- 6.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 6.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 6.3 Equality and diversity matters have been considered in the production of the Internal Audit Plan.

7. List of Appendices

Appendix 1- Draft Essex County Council Internal Audit and Counter Fraud Plan 2019/20

8. Background Papers

ECC Organisational Strategy
ECC Strategic Risk Register
Public Sector Internal Audit Standards



INTRODUCTION

Background

The Council is responsible for establishing and maintaining appropriate **risk management** processes, **internal control** systems, accounting records and **governance** arrangements.

The Council is also required under the **Accounts and Audit Regulations 2015** to maintain an adequate and effective system of internal audit, and this responsibility has been delegated to the Executive Director for Corporate and Customer Services (S151 Officer).

The **purpose** of the Internal Audit and Counter Fraud Service is to provide **independent, objective assurance** and consulting services to the Council (via the Audit Governance and Standards Committee, Chief Executive, S151 Officer, Corporate Leadership Team and External Audit), relating to these arrangements, which are designed to add value, improve the Council's operations and be proportionate to risk.

In addition, the Counter Fraud Service, as outlined in the Council's **Counter Fraud and Anti Bribery Strategy**, seeks to prevent, detect and deter fraud, corruption, bribery or other irregularity in order to protect the public purse.

Internal Audit work is carried out in accordance with the professional requirements as set out in the **Public Sector Internal Audit Standards** (PSIAS).

Purpose of the Internal Audit and Counter Fraud Plan

The **Organisation Strategy** sets out the Council's aims and priorities for the next four years (see page 3). It describes what the Council will do to deliver the Vision for the people of Essex. The **Internal Audit and Counter Fraud Plan** takes into account the Council's **strategic and operational risks** in relation to delivering the Strategy and operational plans and details our priorities and activities over the next financial year.

The Plan, combined with other sources of assurance, provides sufficient coverage to enable the Head of Assurance (as **Chief Audit Executive**) to provide the Audit, Governance and Standards Committee with an independent, objective, and evidence based **annual opinion** on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned coverage will also inform the Council's **Annual Governance Statement** and provide evidence on the effectiveness of arrangements.

Essex Organisation Strategy Summary

Our Strategic Aims

Enable inclusive economic growth

Help people get the best start and age well

Help create great places to grow up, live and work

Transform the Council to achieve more with less

Our Strategic Priorities

- Help people in Essex to prosper by increasing their skills
- Enable Essex to attract and grow large firms in high growth industries
- Target economic development to areas of opportunity

- Help keep vulnerable children safer and enable them to fulfil their potential
- Enable more vulnerable adults to live independent of social care
- Improve the health of people in Essex

- Help to secure stronger, safer and more neighbourly communities
- Help secure sustainable development and protect the environment
- Facilitate growing communities and new homes

- Limit cost and drive growth in revenue
- Develop the capability, performance and engagement of our people
- Re-imagine how residents' needs can be met in a digital world

Internal Audit and Counter Fraud Plan for 2019-20

In devising the risk-based Plan and to ensure it is appropriately focussed, we have taken into account the following:

Internal Audit & Counter Fraud Intelligence

Use of our own cumulative knowledge and expertise of services and areas of control weakness/ fraud risk, including prior years' activity.

Risk Registers

Review and consideration of the strategic and operational risk registers.

Key Corporate Documents

Key corporate documents have been considered including the organisational strategy, operational plans, budgets and savings targets, programmes and projects and future known commercial activity.

Other Sources of Assurance

Use of other assurance sources such as third party inspections.

External / Horizon Scanning

Consideration of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Institute of Internal Auditors (IIA) direction. Liaison with other local authorities on emerging themes through professional forums (e.g. Home Counties Audit Group / Local Authority Chief Auditors Network / South East County Council Fraud Hub).

Consideration of future planned national and international legislative changes including the impact of exiting the European Union (Brexit).

Organisational Change

Consideration of the Council's organisational change programme and activity.

Stakeholder Consultation

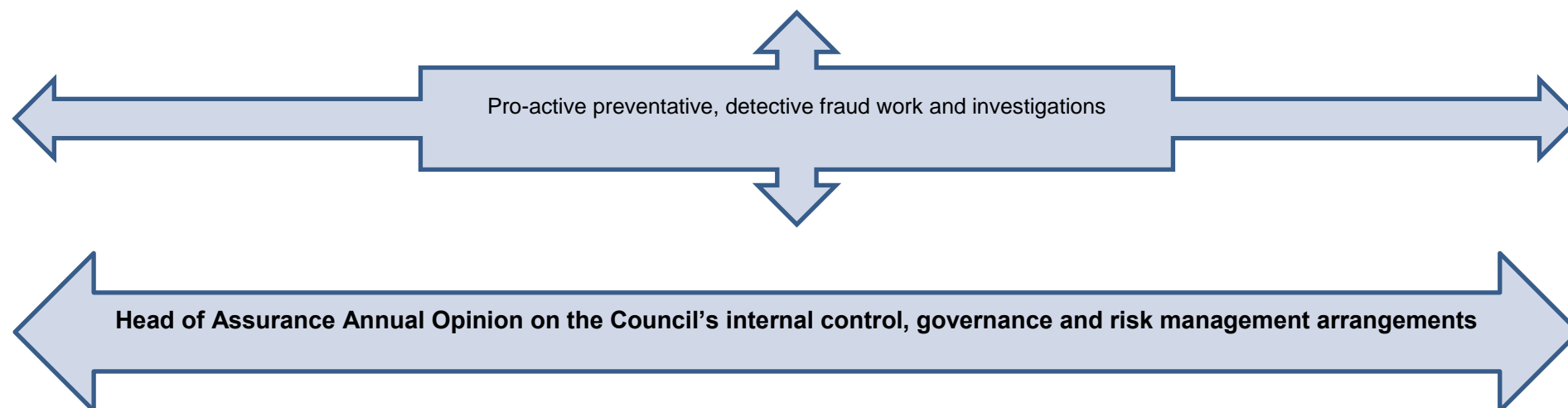
Engagement with key stakeholders including the Chief Executive (Head of Paid Service), S151 Officer, Monitoring Officer, Executive Directors, Senior Information Risk Officer (SIRO), Chair of the Audit, Governance and Standards Committee and External Audit.

Delivery and Resourcing

Consideration has been given to the financial and staffing budgets available to deliver the Plan. This includes the in-house team and where necessary, an externally commissioned provider (eg for specialist IT audit).

Summary Internal Audit and Counter Fraud Plan - by Function

Corporate Development	Corporate and Customer	Children, Families and Education	Organisation Development and People	Place and Public Health	Adult Social Care
<ul style="list-style-type: none"> • Programme and Project Management • Technology based Portfolio, Programme and Project Management • IT Major Incident Management • Office 365 Implementation • IT Disaster Recovery • IT Change Management • Cyber Security 	<ul style="list-style-type: none"> • Key Financial Systems • Risk Management • Budget Setting and Medium Term Planning • Fees and Charges • Supplier Resilience • Procurement • Decision Making Process • GDPR Compliance • ECC Companies • Health and Safety • Insurance • Counter Fraud • Coroners • Telephony System • Complaints • Essex Pension Fund 	<ul style="list-style-type: none"> • External Fostering Framework • Childrens Residential Framework • Unaccompanied Asylum Seekers • No Recourse to Public Funds • Troubled Families • Pre-Birth to 19 Health, Wellbeing and Family Support Service • Direct Payments • Schools - Income • Schools - Establishment Reviews • Special Educational Needs and Disability (SEND) • School Year End Balances • Schools Financial Value Standard (SFVS) 	<ul style="list-style-type: none"> • Staff Performance Management • Essex Pay • Strategic Workforce Planning • Absence Management 	<ul style="list-style-type: none"> • Country Parks - Income • Trading Standards • Essex Highways • Public Health • Building Security • Waste Management • Carbon Reduction Commitment Energy Efficiency Scheme (CRC) 	<ul style="list-style-type: none"> • Carers' Personal Budgets • Personal Budgets • Continuing Health Funding • Day Opportunities Framework • Client Contributions • Better Care Fund • Adult Mental Health Services • Deferred Payments/Deprivation of Assets • Management Information/KPIs • Short Term Enablement Support • Quality Assurance Framework



Detailed Internal Audit and Counter Fraud Plan by Function

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Corporate Development		
Programme and Project Management	<p>There is an assumption that £60m* of savings will be achieved to balance the 2019/20 budget.</p> <p>*Full Council Meeting on 12 February 2019, Agenda Item 6: Organisation Plan and Budget 2019/20</p>	To provide assurance as to whether there is appropriate management oversight over the identification and management of the delivery of programmes and projects and associated benefits tracking.
Technology based Portfolio, Programme and Project Management	A new governance framework has been introduced to more robustly identify potential projects to implement new technology, prioritise, plan and then effectively implement. The value of the overall portfolio of technology-based projects is material. Failure to effectively deliver projects can lead to increased costs and reduce achievement of service objectives.	To assess whether the new governance framework is now operating consistently and effectively and is helping to deliver programmes and projects to time, to budget and to requirements. We will also work with Technology Services and Delivery and Service Design colleagues to map the inbuilt assurance mechanisms within the new framework and how evidence of these mechanisms working can be a source of assurance on which Internal Audit can rely.
IT Major Incident Management	If the Council does not respond promptly and effectively to major incidents impacting on its key IT systems and applications it may not be able to fulfil statutory obligations or result in lost data and more widely, prevent the achievement of service outcomes.	Follow up review to assess whether recommendations made in the previous review are now embedded as business as usual.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Office 365 Implementation	Failure to properly implement Office 365 could lead to major disruption to business as usual activity as staff will not be able to access core applications and information. Failure to implement on time could lead to increased costs.	To provide assurance that Office 365 will be rolled out effectively: to assess whether there is a robust project plan, delivery and oversight arrangements to ensure that Office 365 is implemented on time, on budget and achieves its required objectives.
IT Disaster Recovery	Failure to have robust and tested disaster recovery arrangements may mean the Council is unable to deliver its core services for an extended period of time and result in loss or damage to key data.	To assess whether there are robust and tested disaster recovery arrangements, and in particular whether the previous audit recommendations (made in 2017) have now been implemented.
IT Change Management	Poorly planned or poorly managed changes to technology can severely disrupt wider service delivery. Unauthorised or inappropriate changes may also disrupt service delivery and lead to the loss or damage of data.	To assess whether there is robust planning, authorisation and testing of changes and then approved release of such changes to the production environment.
Cyber Security	A cyber-attack could prevent access to, or the required use of, technology that is critical to delivering services including those delivered to vulnerable people. Cyberattacks could also destroy or damage data. Without robust proactive protection against attacks, the Council may spend significant avoidable amounts of resource dealing with incidents and incur significant unplanned costs to remedy weaknesses.	To assess our resilience to external and internal threats. In particular to work with Technology Services at key times during the year whilst they obtain recognised cyber security accreditations to gain assurance that the controls required by the accreditations are in place and then map the arrangements the service will implement to ensure the required controls work consistently and effectively. Internal Audit will look to rely on these sources of assurance where possible.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Corporate and Customer Services		
Key Financial Systems	If the key financial systems are not well controlled, the underlying information used for the financial statements may not be reliable and or financial transactions could include fraud and or material error. If the key financial operational processes are not effective, this could lead to overspends, higher levels of debt and failure to pay staff and suppliers on time.	Integrated audit approach to assess the robustness of the design and operating effectiveness of controls in place to ensure that processes and transactions executed through The Corporate System (TCS) and A4W (the finance system used to pay providers of care to adults) are accurate, complete, authorised, valid, timely and efficient. Includes: Accounts payable Accounts receivable Banking and cash Budgetary control General ledger (journals and virements) Payroll Scheme of delegation.
Risk Management	Effective risk management helps support good decision making and service delivery across all Functions and at the strategic level.	To assess progress in implementing recommendations from the prior year's assessment against the ALARM standards and provide assurance that the councils risk management framework is operating effectively. <i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i>
Counter Fraud	Without robust counter fraud arrangements there may be significant amounts of undetected fraud resulting in material financial loss, inappropriate use of or award of scarce resources, or inappropriate behaviour which could undermine the public's trust in the Council.	To assess whether the Counter Fraud Team has effective proactive and reactive processes to deter, prevent, detect, and investigate and prosecute, where appropriate, potentially fraudulent and corrupt behaviour. <i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i>

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Budget Setting and Medium Term Planning	Without robust medium-term financial and business planning, the projected funding gap may not be proactively and effectively closed. This could lead to less desirable decisions to cut services and or reduce longer-term investment which could reduce the extent that the Council's required outcomes are achieved.	To assess whether the assumptions built into the medium-term resource strategy (MTRS) are sound, well documented, robustly challenged and take account of a range of scenarios to mitigate risks including foreseeable uncertainties, the Council's track record of delivery and optimism bias. To also assess whether Functions' four year business plans clearly set out the medium-term financial picture and how each Function will address the financial gap.
Essex Pension Fund	The pension fund is around £4billion and ECC as the Administering Authority is responsible for the effective running of the fund to meet statutory requirements, ensure required payments are made and there is sufficient funding to meet liabilities.	To assess whether the Essex Pension Fund has effective governance in line with statute to ensure that investment and funding activity is lawful, effective and regularly reported. To assess whether the Essex Pension Fund efficiently and effectively manages on-going administrative events to ensure pension records are accurate and up to date and pensions payments are accurate and valid.
Complaints	Failure to effectively deal with, then analyse and address the reasons for complaints could lead to repeat complaints - therefore cause additional strain on resources and poorer service outcomes.	To assess whether there are effective complaint handling processes to deal with the complaint itself and learn required lessons to minimise future complaints and improve service delivery.
Telephony System	Failure to have a resilient IT and telephony infrastructure and resources across ECC would undermine effective service delivery and reduce customer satisfaction levels.	To assess the development and implementation of the replacement telephony system whether it is delivered to time, budget and required outcomes.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Insurance	Insufficient insurance cover could lead to significant financial strain. If the Council does not robustly challenge claims against it, it could pay out when it should not (including for cases of fraud) which puts further pressure on the budget.	To assess whether the Council maintains sufficient insurances and optimum cover. To also assess whether claims are robustly challenged to ensure ECC only pays out when liability is proven and there is effective learning from claims to prevent / minimise their future reoccurrence. <i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i>
Coroners	The statutory Coroner's service is demanded and therefore if the service does not have robust resourcing and business continuity plans, it may not be able to deliver required levels of services within required timescales. This could lead to significant public dissatisfaction and reputational damage.	To assess whether the Coroner service has effective resource and case management arrangements in place.
ECC Companies - follow up review	There are potential risks around ECC companies not working effectively and ECC being involved in a company which may not be beneficial.	To assess whether the Shareholder Board has robustly challenged the performance of, outcomes achieved by, and risks associated with all ECC's companies to ensure they operate most effectively and ECC continues to benefit from involvement in the company. To confirm that the Shareholder Board meeting held in February 2019 has effectively addressed the major recommendation arising from the 2018/19 follow up review.
Fees and Charges	If the Council does not maximise its income from chargeable activity, this increases the pressure on the annual budget potentially leading to less desirable decisions to cut services and / or reduce longer-term investment which could then in turn reduce the extent the Council's required outcomes are achieved.	To assess whether all activities / services are charged for where required and fees are set at an appropriate level (e.g. actually recover costs where aimed to; or optimise income to maximise any surplus if allowable). To consider work already done in this area by Finance.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Supplier Resilience	The Council relies on third party suppliers to deliver significant amounts of important and sensitive services on its behalf. Supplier failure could lead to the Council not delivering statutory services and / or prevent the successful achievement of service objectives.	To assess whether the new processes introduced in 2018/19 to identify and manage potential risk of supplier failure are now operating consistently and effectively to ensure there is effective and timely improvement action or an orderly exit of the contract. To assess also whether lessons from previous supplier failures (in Essex and the country) are learnt and where necessary processes are changed to prevent or minimise the likelihood of repeat occurrence.
Procurement	The value of spend with third parties is around £1billion per annum. Failure to ensure this spend achieves value for money would have a significant impact on the Council's financial position. The Council also needs to ensure appropriate quality of the goods/services it procures.	To assess whether the category management approach is effectively embedded to ensure value for money procurements and that the procurement process itself is efficient and robust.
Health and Safety	ECC has duties under health and safety legislation and expects all employees and contractors to comply with health and safety policies, procedures and safe systems of work. If ECC is found liable for harm to the health and safety of others ECC could face significant financial penalties, reputational damage and service disruption.	To review a key health and safety risk area to assess whether the associated policy is robust and the requirements are being consistently and effectively met. Risk area to be determined at the time of scoping the review. <i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i>
GDPR Compliance	If the Council does not comply with requirements of the Data Protection Act 2018 it may face enforcement action by the Information Commissioner's Office and significant financial penalties and reputational damage.	To assess whether there is a clear project closedown of General Data Protection Regulation (GDPR) oversight and effective transition into business as usual. To also assess the "steady state" arrangements to ensure GDPR compliance / move towards greater compliance and assess operating effectiveness in areas with greater risk of inappropriate information handling.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Decision Making Process	If the required decision making process is not followed, this could lead to less informed, less transparent, and less effective decisions or mean the decisions may not stand up to legal challenge.	To assess whether there are adequate and consistent controls in place to ensure that the defined decision making processes are followed, including key decisions and engagement with the public where required.
Children and Families and Education		
External Fostering Framework	Safeguarding, reputational, legal and value for money risks. Failure to achieve the Council's strategic objective/priority of helping keep vulnerable children safer and enabling them to fulfil their potential. There is an increase in the complexity of needs for children entering care.	To provide assurance over the design and operating effectiveness of the new service model.
Childrens Residential Framework	Safeguarding, reputational and legal risks. Potential inability to deliver ongoing savings, achieve a balanced budget or deliver a satisfactory service. Failure to achieve the Council's strategic objective/priority of helping keep vulnerable children safer and enabling them to fulfil their potential. In addition, there is an increase in the complexity of needs for children entering care.	To provide assurance over the design and operating effectiveness of the new service model.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Unaccompanied Asylum Seekers	Risk of increased number of unaccompanied asylum seeking children and those claiming to be so, arriving in ECC, resulting in additional, considerable, pressure on ECC, in terms of capacity, resources and financially. This may also affect our ability to meet our statutory obligations.	To assess the robustness of and effectiveness of provision of care and support to unaccompanied asylum seeking children and young people including the assessment and eligibility process, information security, payment of fees, costs and allowances and support given to care leavers. Also to include claiming of grant and reconciliation procedures in relation to national transfer rates.
No Recourse to Public Funds	Section 115 of the Immigration and Asylum Act 1999 states that a person will have 'no recourse to public funds' if they are 'subject to immigration control'. This means they cannot access certain welfare benefits, homelessness assistance from the Council and an allocation of social housing through the Council's register. This is a complex and volatile service which also links with unaccompanied asylum seekers.	To provide assurance over the management of risks in relation to assessment of eligibility, approval processes and payment of funds and monitoring and accounting arrangements.
Troubled Families	Government requirement for Internal Audit to validate 10% of every claim and certify each claim.	<i>Troubled Families is a programme of targeted intervention for families with multiple problems, including crime, anti-social behaviour, truancy, unemployment, mental health problems and domestic abuse.</i> The audit will select a 10% sample of all cases and validate that they meet the specified conditions and are properly claimable.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Pre-Birth to 19 Health, Wellbeing and Family Support Service	The contract amount is £247m and runs to 31 March 2024 with an optional extension of up to three years. Risks are around ensuring quality of service delivered and having appropriate management oversight/assurance mechanisms in place to ensure the terms and conditions specified in the contract are met and value for money is achieved.	<p>The service combines the Healthy Child Programme, Healthy Schools, Family Nurse Partnership and children's centres. In west Essex, the service includes children's community nursing, paediatrics, therapies and specialist services. The services are for children from before they are born through to the age of 19 (or 25 for young people with special educational needs and disabilities).</p> <p>The 2018/19 Internal Audit review received an overall opinion of Adequate Assurance.</p> <p>To follow up on the previous year's recommendations and to focus on a key risk area at the time of scoping this review. Due to the value and complexity of this contract it is intended to audit a different area each year.</p>
Direct Payments (Children and Families)	Direct payments are provided for some children who are assessed as having need for social care services. The 2018/19 Internal Audit report received an outcome of 'Limited Assurance'. The service makes over 600 payments totalling around £2m per annum.	This audit will focus on the Council's arrangements for ensuring it is meeting its statutory duties and manages/monitors personal budgets consistently and in a way which is proportionate to risk.
Special Educational Needs and Disability (SEND)	Materiality, changes to funding and additional pressures with demand increasing may mean that statutory obligations are unable to be met.	To assess at time of scoping based on key risks.
Schools - Income	Potential fraud risks, governance and reputational damage.	Thematic review across a number of primary schools focussing on income risks and cash-handling (including fraud risks) relating to school meals, breakfast & after school clubs.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Schools - Establishment Reviews	Schools are a material line in ECC's budget and the majority have a fully delegated budget.	Risk based establishment visits to a small number of schools during the year to ensure internal controls and governance arrangements continue to work effectively.
Schools – Analytical Review of Year End Balances	Schools' year end balances are a material line on ECC's balance sheet and without assurance over the validity of the figures, an adverse opinion from the external auditors on the Council's annual statement of accounts could result.	Year-end returns by schools are subject to analytical review with any anomalies being investigated. Provides a level of assurance across the whole LEA school population.
Schools Financial Value Standard (SFVS)	Statutory requirement for the LEA to provide a return based on each school's self-assessment.	Collating statutory returns from all LEA maintained schools to enable annual reporting to the Department of Education (DfE). This is schools' own assessment of their internal controls using a DfE template.
Organisation Development and People		
Staff Performance Management	New staff performance management framework is being introduced in 2019/20. Staff performance management is key to ensure that we identify and integrate organisational and individual objectives, behaviours and expectations, encourage individual employee growth and development and retain the best employees.	<p>Watching brief on the devising of the new staff performance management framework as it is developed and implemented.</p> <p>Once there is a new agreed approach, to assess whether there is an effective and consistently applied staff performance management framework and in particular whether this effectively deals with poor performance and appropriately rewards high-performers.</p>

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Essex Pay	The new approach to pay and grading is called Essex Pay. Its implementation requires significant intervention to payroll records to ensure staff are paid the correct amounts. Its ongoing application needs effective controls to ensure it is seen as transparent, consistent, and equitable.	<p>To assess whether:</p> <ul style="list-style-type: none"> • those in transitional arrangements are paid the correct amounts • there are robust, transparent, and clear means to calculate the rate for the job and in particular ensure the annual reviews are planned to be completed in a timely and informed manner • exceptions to the rate for the job are supported by robust, authorised business cases to justify paying additional amounts • there is understanding of the actual impact on the overall pay bill resulting from Essex Pay and whether this is in line with assumptions and budgeted amounts.
Strategic Workforce Planning	The Council's workforce may not be fit to meet the future challenges which could undermine the achievement of ECC's objectives.	To assess whether there is effective governance at the Organisation Development and People and corporate level to oversee the implementation of the People Plan.
Absence Management	Major recommendations are outstanding from our prior year review and will be primarily addressed through the implementation of new technology. The recommendations relate to the management of risks of staff taking too much annual leave and sickness absence not being managed as required which could result in staff's wellbeing not being proactively managed.	Follow up review to assess whether the new people technology system to manage absence effectively drives compliance and highlights to management where the process has not been followed to allow remedial action.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Place and Public Health		
Country Parks - Income	Country parks have introduced a new in-house cash collection and banking process in 2018/19 with associated income and fraud risks. Assurance required that processes are appropriately well designed and operating effectively in practice and that there is appropriate management oversight to detect if controls are bypassed/overridden.	Review across a number of country parks focusing on income risks and cash-handling (including fraud risks) relating primarily to car park cash collection (may also include other income streams, e.g. shops, high ropes, etc.).
Trading Standards	Trading Standards have a key role to play in tackling fraud risks and helping to ensure the safeguarding of vulnerable people. Regulatory role involving inspections, enforcement and advice and guidance but with recent reductions in funding and staffing levels. Also risks around impact of EU exit. Not audited since 2015.	To assess at time of scoping based on key risks. Prior audits have focussed on evidence handling and storage of evidence.
Essex Highways	Annual spend of around £165m with risks around quality of services/contract delivery and performance and value for money. Decision on the future of this strategic contract is due to be made by Summer 2019 (i.e. extension or re-procure).	Review to focus on contract performance management.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Public Health	Indicative Public Health grant for 2019/20 is £60.8m. Potential risks around preparedness of reduction and eventual removal of the Public Health grant. Funding is used for services such as sexual health, obesity and weight management, stop smoking campaigns, drug and alcohol treatment etc. Without these services, designed to improve public health, there is a risk that there could be increased pressure on the NHS and social care services. Also risks around timings of decisions on key contracts and services.	To provide assurance that the grant is spent in accordance with the grant conditions as per Public Health England and that ECC have appropriate mechanisms in place via KPIs, data quality checks, budgetary control and contract management arrangements to provide this assurance. To assess ECC's preparedness for the reduction and removal of Public Health grant.
Building Security	If ECC do not have sufficient and proportionate building security controls in place, the health and safety of staff and/or visitors could be placed at risk. There may also be information governance risks if information and data (particularly of a sensitive nature) is not held securely.	Proactive reviews across multiple sites testing access controls, particularly to sensitive areas, e.g. server rooms, CCTV control, records management, etc. Could also include observation of unlocked and accessible devices, i.e. information security, etc. To also include security of unused buildings.
Waste Management	Key strategic priority is to reduce the environmental impact and cost to the taxpayer of dealing with waste, by operating efficient waste management services and working effectively with partners and communities. Risks associated with not achieving this include, reputational, financial and legal.	To provide assurance over waste payments and data quality to inform the payment mechanisms.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Carbon Reduction Commitment Energy Efficiency Scheme	This is the UK's mandatory climate change and energy saving scheme. There is an annual requirement for Internal Audit to sign off the Scheme.	To certify that ECC are complying with the Scheme's terms and conditions and that the data included in the evidence pack is robust.
Adult Social Care		
Personal Budgets (Adults)	The Council has a statutory duty to assess any adult who appears to have needs for care and support and to ensure that the unmet eligible assessed needs are met. Limited Assurance in 2018/19. Approximately £60m spend and over 5,000 clients.	This audit will focus on the Council's arrangements for managing/monitoring personal budgets consistently and in a way which is proportionate to risk.
Quality Assurance Framework	If ASC do not have appropriate mechanisms in place to quality assure its services it cannot ensure or evidence that it meets statutory requirements and any additional Care Quality Commission Standards, nor can it demonstrate that staff are complying with ECC's strategies, policies and procedures.	Provide consultancy advice on the development of the Quality Assurance Framework to ensure it is fit for purpose and working effectively in practice. Will also link with audit on Management Information/KPIs.
Management Information / Key Performance Indicators	Without effective management oversight and appropriately defined and timely KPIs, the Function will be unable to measure whether their focus on early intervention and prevention is having the desired impact and is sustainable. Strategic objectives may not be achieved nor poor performance identified so that it can be addressed promptly.	To provide assurance over ASC's performance management framework to ensure appropriate oversight of the new service delivery model and key activities of the Function.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Client Contributions	Financial, legal and fraud risks. Service users may not be aware of their client contributions and may not spend them on their care which could result in safeguarding issues and ECC not meeting their eligible unmet needs.	Health check review working with the service to ensure appropriate design of controls and then a test of their effectiveness later on in the year. Will be planned with the ASC Personal Budgets review.
Adult Mental Health Services	Risks around determining the future delivery intentions of the service with the current Section 75 agreement due to end in March 2020. This will also have associated safeguarding, financial, reputational and legal risks.	Follow up on implementation of prior year recommendations and reassess the risks based on the future delivery intentions for this service.
Deferred Payments / Deprivation of Assets	Fraud risks and statutory obligations under the Care Act. If a service user intentionally decreases their overall assets in order to reduce the amount they are charged towards the cost of their care this will result in ECC paying higher care costs than necessary.	The Care Act requires that all local authorities must offer a deferred payment agreement if a service user meets eligible criteria, the intention being that no-one is forced to sell their home in their lifetime to pay for their care costs. The audit will focus on the controls around the robust administration and management of the agreements, guidance provided to service users, property valuations and sales and recovery of debts.
Better Care Fund	In 2018/19 the total value of the Essex Better Care Fund (BCF) is £68.9m (which includes £32.6m relating to Integrated Better Care Fund). Risk that outcomes of the BCF and the local vision for health and social care integration may not be achieved.	To ensure that ECC is meeting its statutory obligations under its accountable body status for the pooled funds under the Section 75 agreements with the 5 Essex Clinical Commissioning Groups (CCGs).

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Day Opportunities Framework	Safeguarding risks, value for money, risks around ensuring appropriate and timely support to vulnerable adults and their carers.	Review of the control environment and the effectiveness of the new arrangements which were introduced in late 2018.
Carers' Personal Budgets	The Carers Strategy and associated support to carers are key to upholding the Council's early prevention and intervention strategy and sustainable futures; and for meeting the requirements of the Care Act. If ineffective there could be associated safeguarding, financial, reputational and legal risks to the Council.	To follow up on the recommendations arising from the 2018-19 Internal Audit review. To provide assurance over controls in relation to the delivery of the Carers Strategy, guidance and information provided to carers, payments to carers and recovery of funds, practice guidance/policies, case review procedures and monitoring arrangements including budgetary control.
Continuing Health Care (CHC) Funding	ECC may not seek CHC funding when appropriate to do so resulting in material financial risks. Also reputational risks.	To ensure that the Council has appropriate mechanisms in place to identify in a timely way where service users may meet the eligibility criteria for being CHC funded and that CHC funding is then pursued as appropriate. To ensure that when CHC funding is granted that the Council has appropriate internal controls to cease paying for these service users and clawback any funds from the care provider where CHC funding is backdated.
Short Term Enablement Support Contract	Potential safeguarding, financial, and reputational risks. Recent emergency change of provider for four out of five of the contracts.	Joint internal audit review planned with Essex Cares Limited, a wholly owned ECC company that deliver reablement and short term nursing services on behalf of ECC.

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Counter Fraud		
Fraud Prevention, Awareness and Culture	Fraud Awareness Workshops - Programme of fraud awareness training sessions following re-organisation to include Fraud Awareness Week communications. Initial focus on Social Care Teams, Essex Social Care Academy, Financial Assessment Teams, Pre-Paid Compliance Teams, Blue Badge Team, Parking Enforcement Officers etc.	
	Training / Workshops in relation to Anti-Bribery & Money Laundering	
	Annual review of policy documents (Counter Fraud Strategy, Counter Fraud Manual, Anti-Bribery Policy, Money Laundering Policy) and update Fraud Risk Assessment.	
	Attendance at Counter Fraud Hub meetings (South East Hub & Essex Hub).	
	Attendance at Workshops - Debt Management / Blue Badge (new legislation).	
Fraud - Detection	Pan Essex Data Matching - Submission of data sets on a monthly basis and investigation of returned matches, plus attendance at workshops / meetings.	
	National Fraud Initiative (NFI) – Investigation of data matches arising from October 2018's data submission, when they are returned in February 2019; although investigation will run to Autumn 2019 due to volume of matches.	
	BAE Systems / Data Matching / NFI Hub - Involvement in development of potential data matching. Liaising with Midlands's hub / CIPFA re social care matches / developments.	
	Internal Data Matching / Data Analysis - Programme of internal data matching to be developed. To include quarterly matching for Adult Social Care data, procurement exercise to be completed by in-house Data Analyst.	

Audit Activity / Title	Risk Justification	Potential Audit Coverage
Investigative Work	Investigations - Referrals and Case Investigation (reactive, including advice & guidance) - Log, prioritise and investigate referrals received via the service, internet or whistleblowing route.	
	Blue Badge Referrals - Managing referrals and mis-use letters.	
	Freedom of Information Requests - Assistance with responding to Freedom Of Information requests.	
South East Local Enterprise Partnership (SELEP)	<p>Programme of tests to assess robustness of governance over decision making and effectiveness and consistency of project delivery. To also assess whether the required changes in formation and governance are made in response to the new national requirements.</p> <p>Annual programme of work in support of ECC's S151 Officer's annual assurance opinion and to the Accountability Board on the fulfilment of the Assurance Framework.</p>	
Grant Claims	The audit of specific grants that require Internal Audit sign off as part of the grant funding terms and conditions.	
Emerging Risks / Contingency	Approximately 10% of available staffing resources to maintain flexibility to respond, as appropriate, to emerging risks or events throughout the year. This will include maintaining a watching brief over programmes and projects such as significant procurement of new systems and emerging commercial activity. We will provide control design support (including counter fraud measures) for new developments/ projects / IT Systems and health checks on internal control arrangements for new / transferred services.	
External Contracts	Chargeable Internal Audit and Counter Fraud services to our external clients – approximately 10% of available staffing resources.	

Operational Responsibilities of the Chief Audit Executive

The Chief Audit Executive is responsible for the following operational areas:

- Internal Audit and Counter Fraud
- Health and Safety
- Emergency Planning and Resilience
- Risk and Insurance.

Reviews of Counter Fraud, Health and Safety, Risk Management and Insurance are included in the above Plan. Emergency Planning and Resilience has not been included as we are currently conducting an audit in this area as part of our 2018/19 Internal Audit and Counter Fraud Plan.

Resourcing the Internal Audit and Counter Fraud Plan

The indicative days allocated to each individual audit activity, although not included in this report, have been shared with the Section 151 Officer.

Report title: Internal Audit and Counter Fraud Progress Report	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes – Head of Assurance	
Date: 25 March 2019	For: Discussion
Enquiries to: Paula Clowes – Head of Assurance paula.clowes@essex.gov.uk	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 This report provides the Audit, Governance and Standards Committee with the current position regarding Internal Audit and Counter Fraud activity in relation to the 2018/19 Internal Audit Plan (approved by the Audit, Governance and Standards Committee in March 2018). It reflects the situation as at 28 February 2019.

2. Recommendation

- 2.1 That the report be noted.

3. Details of Internal Audit and Counter Fraud Activity

3.1 Final Internal Audit Reports Issued

- 3.1.1 When Internal Audit issues a report it gives an overall assurance rating which is either 'Good' 'Adequate' 'Limited' or 'No' Assurance. The final reports issued since the December 2018 Audit, Governance and Standards Committee are listed below. Executive Summaries for those reports receiving 'Limited Assurance' or 'No Assurance' are usually set out in an Appendix. However there are no such reports this time. Full reports are available to Members on request.

No	<ul style="list-style-type: none"> • None
Limited	<ul style="list-style-type: none"> • None
Adequate	<ul style="list-style-type: none"> • Essex Highways Fees and Charges • Employee Termination Payments
Good	<ul style="list-style-type: none"> • Pre-employment Checks • Active Essex • Better Care Fund
Other	<ul style="list-style-type: none"> • Troubled Families Grant • EU Interreg Grant – SPONGE (preventing flooding) • EU Interreg Grant - PROFIT (promoting tourism to the Essex coast)

3.2 Implementation of Internal Audit Recommendations

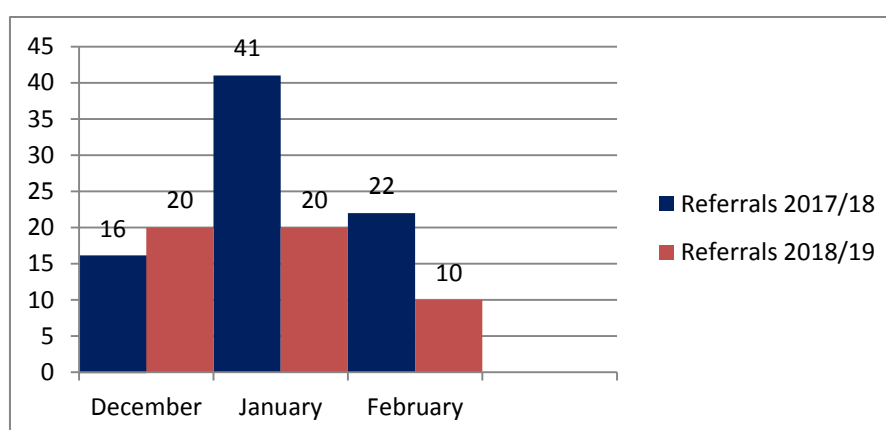
- 3.2.1 Whenever any recommendations are made in an audit report, Managers are asked to agree what activity they will undertake to address the recommendations and to agree timescales for implementation.
- 3.2.2 Progress on the implementation of recommendations is monitored by the Internal Audit service.
- 3.2.3 Critical or Major recommendations which have not been implemented within the agreed timescale are reported to the Audit, Governance and Standards Committee. Reports on outstanding recommendations are provided to Functional Leadership Teams (FLT) quarterly.
- 3.2.4 As at 11 March 2019 there were 5 Critical and 23 Major recommendations open, of which 13 Major recommendations have moved beyond their latest agreed due date. See Appendix 2 for further detail.
- 3.2.5 The current assessment rationale for grading the priority of recommendations made and the level of assurance (audit opinion) for each individual audit review is attached at Appendix 1.

3.3 Counter Fraud Activity

3.3.1 The Counter Fraud Team (2.6fte) has a remit to prevent, detect and investigate fraud. In some cases we will pursue sanction through the civil or criminal courts and where possible seek to recover lost/stolen monies.

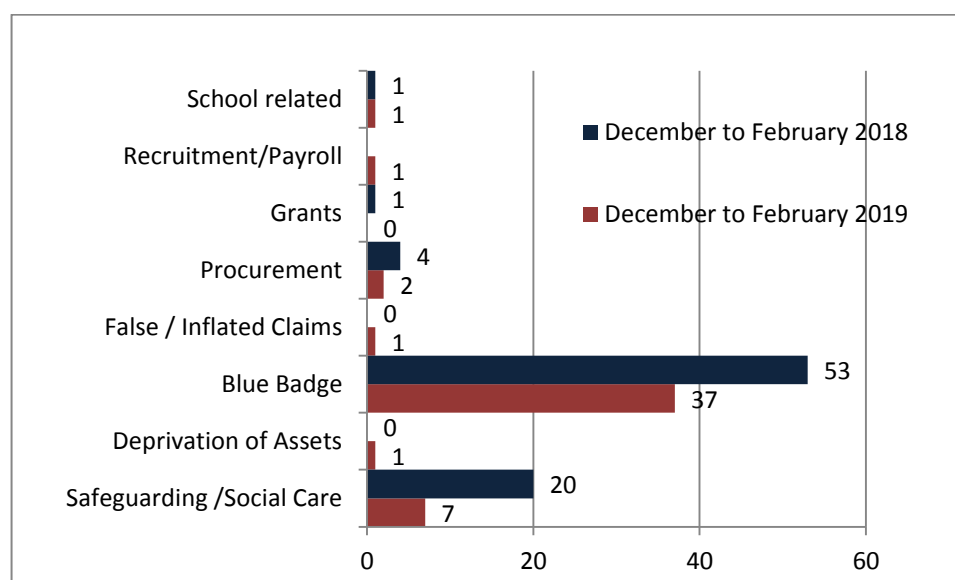
Fraud Referrals

3.3.2 During the 3 month period 1 December 2018 to 28 February 2019, 50 referrals were received (including blue badge referrals). The table below shows how this compares to the same period last year and demonstrates that the number of referrals received this year is lower than the same reporting period last year (79 referrals received during the same period last year).



Types of Referrals

3.3.3 The bar chart below demonstrates the type of referrals received, with a comparison to the referrals received last year.



Internal Data Matching

3.3.4 The Counter Fraud team continued work on the Adult Social Care internal data matching project, initially started in May 2018. Adult Social Care payments have been recognised nationally as a significant fraud risk to local authorities who have reported significant fraud losses¹. The objective of this data matching exercise is to:

- Identify and rectify duplicated packages – i.e. open domiciliary & residential care packages (where a cash payment is being made)
- Identify and stop payments that are being paid to service users who are deceased
- Identify and stop payments that are being made to service users who are in receipt of health funding (and no longer entitled to social care funding)

3.3.5 A further data matching exercise was added during Q2/3 to match recipients of ECC pensions to service users in receipt of a social care package. The aim of the match was to ensure that income had been accurately declared and recorded during the financial assessment.

3.3.6 Savings of **£57,256** have been identified from 1 April 2018 to date.

Essex Council Tax Data Matching Initiative

3.3.7 The Council is supporting an Essex-wide data matching project that involves all councils providing data to ensure that income received from council tax is maximised. ECC provides data sets to support the data matching which is now undertaken on a monthly basis and the Counter Fraud Team provides support to districts in dealing with the output. Total cumulative savings recorded as at 28 February 2019 (from July 2017) are **£1,087,699**.

National Fraud Initiative Data Matching Exercise

3.3.8 The National Fraud Initiative is a biennial exercise overseen by the Cabinet Office. This is a mandatory exercise which all public sector bodies participate in, submitting prescribed data sets to the Cabinet Office to facilitate a national data matching exercise to be completed. The Counter Fraud Team submitted all data sets to the Cabinet Office in October 2018. Matches have been returned during February and March 2019 and are in the process of being investigated. Matches received include:

- 282 - Pensions to Payroll within ECC
- 412 - Payroll to Payroll between bodies (ECC plus other authority)
- 2,931 – Blue Badge to deceased persons
- 12,320 - Concessionary Travel Pass to deceased persons

¹ <http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>

- 409 – Residential Care home to deceased persons
- 29 – Personal Budgets to deceased persons

Fraud Awareness Training

3.3.9 At present, 85% of all ECC staff have completed the e-learning modules relating to:

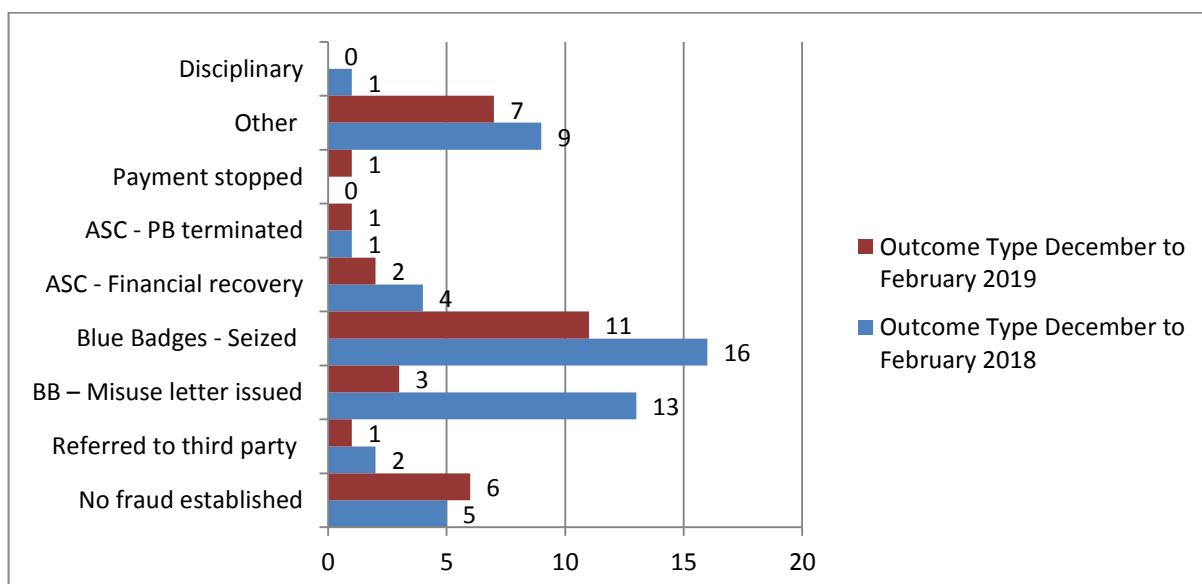
- Anti-fraud and corruption
- Anti-bribery and money laundering.

3.3.10 In addition, the Counter Fraud Team have completed fraud awareness sessions for the following teams:

- Social work teams (Working Age Adults – North Essex team)
- Corporate Operations Team

Outcomes

3.3.11 During the period 1 December 2018 to 28 February 2019, the following outcomes and sanctions have been achieved:



Financial Recoveries

3.3.12 In addition to the savings identified during the data matching exercise, this period **£106,591** (year to date **£216,236**) was recovered related to fraud matters and a further **£4,519** (year to date **£144,010**) was identified and in the process of being recovered.

3.3.13 It is estimated that during the reporting period **£25,500** future losses were prevented. These mainly related to personal budgets (adult social care) which have been reduced or terminated during the year due to fraud or misrepresentation of circumstances, such as care needs have been overstated, misuse of funds, deprivation of assets. Future losses are estimated as the annual value of a personal budget (i.e. the cost to ECC if the personal budget had continued to be paid until the next social care review).

3.3.14 Notional savings of £6,325 (year to date £27,600) have been identified as 11 (year to date 48) expired blue badges have been taken out of circulation, each badge being attributed a value of £575 (figure determined by the Cabinet Office).

4. Financial Implications

4.1 There are no financial implications as the Internal Audit and Counter Fraud activity 2018/19 will be met within existing resources.

5. Legal Implications

5.1 Internal Audit is a key way in which councillors can be assured that the Council is using its resources effectively and that the Council is discharging its fiduciary duties concerning taxpayers' money. It helps services to design systems which have appropriate controls and also helps identify and respond to breaches if they occur. This report seeks to update the Audit, Governance and Standards Committee on the activities of the Council's Internal Audit and Counter Fraud service for the purposes of providing further assurance.

6. Equality and Diversity Implications

6.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

6.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. Equality and diversity matters have been considered in the production of the progress report.

7. List of Appendices





Appendix 1 - Current assessment rationale for grading the priority of recommendations in Internal Audit reports.

Appendix 2 – Critical and Major Recommendations which are overdue for implementation as at 11 March 2019

8. List of Background Papers

Internal Audit reports

Current assessment rationale for grading the priority of recommendations in Internal Audit reports

Risk rating	Assessment rationale
 Critical	<p>Critical and urgent in that failure to address the risk could lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Significant financial loss (through fraud, error, poor value for money) ▪ Serious safeguarding breach ▪ Life threatening or multiple serious injuries ▪ Catastrophic loss of service ▪ Failure of major projects ▪ Critical Information loss leading to Information Commissioner's Office (ICO) referral ▪ Reputational damage – Intense political and media scrutiny i.e. front-page headlines, television coverage. ▪ Possible criminal, or high profile, civil action against the Council, Members or officers. ▪ Intervention by external agencies <p>Remedial action must be taken immediately</p>
 Major	<p>Major in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ High financial loss (through fraud, error, poor value for money) ▪ Safeguarding breach ▪ Serious injuries or stressful experience requiring medical treatment, many work days lost. ▪ Significant disruption to service (Key outcomes missed, some services compromised. Management action required to overcome medium term difficulties) ▪ Major Information loss leading to internal investigation ▪ Reputational damage – Unfavourable external media coverage. Noticeable impact on public opinion. ▪ Scrutiny required by external agencies <p>Remedial action must be taken urgently</p>
 Moderate	<p>Moderate in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Medium financial loss (through fraud, error or poor value for money) ▪ Significant short-term disruption of non-core activities ▪ Scrutiny required by internal committees. ▪ Injuries or stress level requiring some medical treatment, potentially some work days lost ▪ Reputational damage – Probable limited unfavourable media coverage. <p>Prompt specific action should be taken</p>
 Low	<p>Low in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Low financial loss (through error or poor value for money) ▪ Minor errors in systems/operations or processes requiring action or minor delay without impact on overall service delivery schedule. Handled within normal day to day routines. ▪ Reputational damage – Internal review, unlikely to have a wider impact. <p>Remedial action is required</p>
Assurance Level	Description
Good	Good assurance – there is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be of Low risk rating. Any Moderate recommendations would need to be mitigated by significant strengths elsewhere.
Adequate	Adequate assurance – whilst there is basically a sound system of control, there are some areas of weakness, which may put the system/process objectives at risk. There are Moderate recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any Major recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
Limited	Limited assurance – there are significant weaknesses in key areas in the systems of control, which put the system/process objectives at risk. There are Major recommendations or a number of moderate recommendations indicating significant failings. Any Critical recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
No	No assurance – internal controls are generally weak leaving the system/process open to significant error or abuse or reputational damage. There are Critical recommendations indicating major failings

Overdue Critical and Major Internal Audit Recommendations as at 11 March 2019

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
Continuing Healthcare Funding (ASC7 1718)	Adult Social Care	Recording on Mosaic Introduce quality assurance checks to ensure that relevant details are recorded on Mosaic and that an adequate case record is maintained.	30/04/18	Update as at 21 January 2019: New process agreed between ECC and the 5 CCG's across the Essex area which reflects the New National Framework. This covers all aspects of progression of recording decisions on Mosaic; this is implemented and in use. The agreed practice guidance is loaded on to the Adult Social Care Practice Library. Audit Comment: A follow up Internal Audit review is currently being undertaken.	Director for Local Delivery, Adult Operations	Major Risk
IT Strategy Review (1617 ICT8)	Corporate Development	Strategic Alignment/Governance Absence of key performance indicators (KPIs) to monitor Return on Investment (RoI)	30/09/19	Update as at 25 October 2018: Current activity with SOCITM resource to ensure RoI for all future IT change activity through 3PM approach and all future ECC business cases to demonstrate RoI. <i>Implementation date revised and owner changed on 21 November 2018.</i> <i>Three monthly status reminder update emails sent since but no further update provided until 12 March 2019.</i> <i>As previously highlighted the former IS Strategy is superseded by the Technology Services OD which now being transitioned to. Therefore the KPI for ROI must be realigned to be appropriate for the new OD structure, strategic direction and TS Portfolio. Therefore this identified risk should be reviewed as part of an audit review of the effectiveness of the new TS OD. New target date of 30 September 2019.</i>	Interim Director of Technology Services	Major Risk
Deprivation of Liberty (DoLS) (ASC6 1718)	Adult Social Care	Timeliness of DoLS Decisions Best endeavours need to be made to ensure DoLS assessments and decisions are	31/07/18	Update as at 22 November 2018: Actions to be taken: 1. Triage system review: DoLS team are now adding the oldest historic cases to the priority list so this is now up to 2016. 2. Page 117 of 133 Work with external agency: Allocation of 40 cases per	Director, Safeguarding & Quality Assurance (Adult Social Care)	Major Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
		progressed promptly and issued within the statutory timescales, in a cost efficient way, having regard to the financial budget available.		<p>month since to external agency since December 2017. Current progress means online with projection to complete 500 cases. Regular meetings with ECC DoLS Team and the provider.</p> <p>3. Review of targeted use of BIA's: Frontline staff (social workers) prioritised for this years training to achieve maximum potential allocations. Due to re-organisation in ASC, some qualified staff were displaced and others moved into new roles resulting in less capacity to complete assessments. Reduced volume of re-approvals BIA's as a result.</p> <p>4. Financial penalty: Learning agreement completed by staff on undertaking the training is now strengthened to support accountability for allocations, awaiting ALT approval.</p> <p><i>Three monthly status reminder update emails sent since but no further update provided.</i></p>		
Social Media (1718 COR4)	Corporate Development	Approving access to and awareness of social media application use	30/09/18	<p>Update as at August 2018 and 12 December 2018:</p> <p>Aug: Portal cannot be updated in Supportworks, IG team providing individual discussions with officers. New social media team being appointed.</p> <p>Dec: A chapter in the Communications and Marketing toolkit being finalised and implemented.</p> <p><i>Two monthly status reminder update emails sent since but no further update provided.</i></p>	Communications and Marketing Manager	Major Risk
Social Media (1718 COR4)	Corporate Development	Security of social media accounts – password sharing.	31/10/18	<p>Update as at 12 December 2018:</p> <p>A comprehensive audit took place to confirm the nature of all accounts (150+ across the organisation) including whether business or personal accounts, who owns and has access to these. Majority of accounts have been moved to business accounts. Work has taken place to ensure accounts are accessed via Hootsuite. Some resistance experienced which is being picked up as part of the expectations of the new Communications Network.</p> <p><i>Two monthly status reminder update emails sent since but no further update provided.</i></p>	Communications and Marketing Manager	Major Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
Absence Management (1718 COR5)	Organisation Development and People	Notifications to Line Managers/ Management Information on Compliance.	30/09/18	Update as at 22 February 2019: The technology to replace the time management module of TCS will now be included in the technology services programme to look at ERP solutions, so likely to take a longer time frame. However, we are currently reviewing our workforce management information that will be sent to all line managers for action and this requirement will be on the development plan to provide this level of information.	Head of People Insight and Technology	Major Risk
Facilities Management (1718 COR15)	Infrastructure and Environment	Capacity Report to the new line management for EPF on the team's current resources to clearly articulate: <ul style="list-style-type: none"> any risks this poses to delivering required facilities management tasks and the consequences of any non-delivery any benchmarking of in-house client-side management of similar contracts in similar organisations The risk of current or foreseeable future resource capacity should either be clearly accepted or further action taken to manage the risk.	20/02/19	Update as at 22 January 2019: Essex Property and Facilities have filled posts and are now looking to fill 1 more of 2 vacancies in the Property Management role/s. One vacancy to be held open for this financial year 2018/19 pending review of current delivery model.	Head of Facilities Management	Major Risk
Social Care Case Management (1718 C4)	Corporate and Customer	Mosaic Compliance with General Data Protection Regulation (GDPR)	21/01/19	Update as at 18 February 2019: The information governance elements of the recommendation have been completed via the January 2019 system update.	Head of Democratic Services	Major Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
Social Care Case Management (1718 C4)	Corporate and Customer	Retention of Records	31/12/18	Update as at 25 January 2019: A revised retention policy is being developed, to feed into the Information Governance Retention Working Group. Legal advice from Essex Legal Services on current social care retention best practice and required / recommended time periods is being requested.	Director for Local Delivery Adult Operations	Major Risk
Personal Budgets (Families) (1718 C2)	Children Families and Education	Direct Payment Agreements	31/12/18	Update as at 26 November 2018: All teams are now saving the DP agreement under the same heading. DPs are signed off on Mosaic by Service Managers, who check that the DP agreement is uploaded and signed. A financial monitoring form will be added to Mosaic. A business case is being prepared to establish 2x DP monitoring roles to replace capacity lost by deletion of 4x Resource Co-ordinator roles. <i>Two monthly status reminder update emails sent since but no further update provided.</i>	Service Manager, Mid	Major Risk
Personal Budgets (Families) (1718 C2)	Children Families and Education	Monitoring and Review	31/12/18	Update as at 19 November 2018: Mosaic continues to be amended to improve entry by social workers, adding a RAG rating to assessments will be implemented and has been attempted but caused some system issues. This is due as an update. Monthly performance reports are run by Organisational Intelligence which include Children & Family assessments and Child in Need (CIN) plans. We have added CIN plans within 6 months to the monthly performance arrangements. This is shared with Directors of Local Delivery and Service Managers monthly across all 4 quadrants. Each case is represented to panel at least annually; panel paperwork and Child in Need plans do give consideration to needs and outcomes. There is currently a policy and guidance working group to amend and update all guidance inclusive of Direct Payments. All cases agreed outside of panel i.e. 6 hours will be presented to panel should they be required beyond 12 months. A business case is being prepared to establish 2x DP monitoring roles to replace capacity lost by deletion of 4x Resource Co-ordinator roles. <i>Three monthly status reminder update emails sent since but no further update provided.</i>	Director, Local Delivery, South	Major Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
				<i>further update provided.</i>		
Business Continuity (1516 COR12)	Corporate and Customer Services	Third Party Dependencies	31/12/18	Update as at 26 November 2018: This is currently on hold until the redesign of the Business Continuity Management System within ECC is complete. Third party dependencies and their business continuity procedures will be included in the redesign process.		Major Risk
Oracle Integrated Assurance Review (1718 KF1)	Corporate and Customer Services	Production and reporting of income recovery management information	31/12/18	Update as at 20 November 2018: Information and the recovery/collection status of each debt is not readily available. This will require a system change request (to the supplier) to allow access to this 'subject area' of the Accounts Receivable (AR) database which has now been submitted. In the interim, budget holders (BH) and now cost centre managers (CCM) can access debt information through their Business Intelligent (BI) Dashboards. To support the dashboard information, a BI aged debt report that will enable BH and CCMs to run debt reports as required, is being explored. These are currently available to Finance staff. In addition, the Income Team recently produced a 'draft' Income Performance Pack. This is still in the early stages of development and while Excel driven, it is intended that relevant AR Sundry Debtor information from this pack will be made available to Functions in the near future and pending the development of an improved BI Dashboard solution.	Head of Financial Support and Income	Major Risk

agenda item 8	
AGS/30/19	
Report title: Standards Update	
Report to: Audit, Governance and Standards Committee	
Report author: Paul Turner, Director, Legal and Assurance and Monitoring Officer	
Date of Meeting: 25 March 2019	For: Decision
Enquiries to: Paul Turner, Director, Legal and Assurance and Monitoring Officer 03330134591 paul.turner@essex.gov.uk	
County Divisions affected: All Essex	

1. Summary

- 1.1 In 2018 the Committee on Standards in Public Life asked for comments from local authorities about standards in local government. ECC's Audit Governance, and Standards Committee responded to the consultation.
- 1.2 This report informs the Committee about the outcome of the Committee on Standards in Public Life review of Local Government Ethical Standards

2. Recommendations

- 2.1 That the report be noted.
- 2.2 That the Committee notes that the monitoring officer proposes to adopt the practice of consulting an independent person if it is proposed not to investigate a complaint.

3. Background

- 3.1 The current standards systems were created by the Localism Act 2011. It replaced the previous system which the Government of the day considered to be bureaucratic and encouraged petty complaints and noted that some councillors were reported not have confidence in the Standards Board for England or of the decisions by local authorities.
- 3.2 Standards of behaviour across the UK public sector are monitored and reviewed by the Committee for Standards in Public Life (CfSPL). Following the implementation of the Localism Act 2011 the CfSPL has raised questions as to whether the new system is fit for purpose.
- 3.3 In 2018 it asked local authorities and others involved in local government to say what they thought about the operation of the standards system and asked a number of questions in a consultation paper. This committee submitted a response to the consultation following a report at the March 2018 meeting.
- 3.4 The CSPL undertook a review with the following terms of reference:

1. Examine the structures, processes and practices in local government in England for:

- a. Maintaining codes of conduct for local councillors*
- b. Investigating alleged breaches fairly and with due process*
- c. Enforcing codes and imposing sanctions for misconduct*
- d. Declaring interests and managing conflicts of interest*
- e. Whistleblowing*

2. Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government

3. Make any recommendations for how they can be improved

4. Note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation

4. The Outcome of the Review undertaken by the CSPL

- 4.1 The review report runs to over 100 pages and makes twenty six recommendations as follows:

	Recommendation	Responsible body
1	The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.	Local Government Association ECC note: This reflects the Committee's comments that having multiple codes is confusing for councillors.
2	The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.	Government ECC note: This would need to be coupled with a requirement to declare interests if it affected a councillor's home and other legislative changes would be needed if the aim is to not publish Councillors' addresses.
3	Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly-accessible social media. See section 27(2) of the	Government

	Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.	ECC already takes this approach where possible
4	Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.	Government
5	The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.	Government ECC note: The ECC member code requires these to be registered and interests declared at meetings.
6	Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record any gifts and hospitality received over a value of £50, or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.	Government ECC note: The ECC code requires this, but with a threshold of £25 – perhaps this limit is ripe for review?
7	Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, "if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to that matter".	Government ECC note: This broadly reflects the view expressed by the Committee in response to the consultation. The ECC code reflects this as far as it can.

14	The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, on appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.	Government
15	The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g. bullying; conflict of interest); the outcome of those complaints, including if they	Government ECC does not publish this other than in an annual report to the Committee.

	are rejected as trivial or vexatious; and any sanctions applied.	
16	Local authorities should be given the power to suspend councillors, without allowances, for up to six months.	Government ECC note: This reflects comments made by ECC
17	The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.	Government ECC believes that the position is clear on this and that we are able to do so.
18	The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.	Government
19	Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.	Parish councils
20	Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.	Government
21	Section 28(11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.	Government
22	The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.	Government
23	The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.	Government
24	Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.	Government
25	Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.	Political groups National political parties

26	Local Government Association corporate peer reviews should also include consideration of a local authority's processes for maintaining ethical standards.	Local Government Association
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- 4.2 The vast majority of the recommendations identify the government as the responsible body for implementation. We do not yet know how the Government will respond to this. Even if the Government responds positively, it is likely to be some considerable time before legislation is passed.
- 4.3 ECC could take action immediately to implement recommendation 6 by changing the threshold of registration of gifts and hospitality, but it is probably more sensible to wait and see if the LGA will publish a model code in the short to medium term.
- 4.4 If the Local Government Association creates a model code of conduct then we will report this to the Committee.

5. Best Practice

- 5.1 In addition to the recommendations the review also includes best practice recommendations which the CfSPL expect local authorities to consider implementing. The CfSPL have said that in 2020 they intend to review how and whether local authorities have implemented the recommended best practice.

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

ECC Comment: The ECC code prohibits bullying and harassment but no definition or examples are contained within the code.

Recommendation: That the Monitoring Officer publishes guidance to members on what constitutes bullying and harassment.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

ECC Comment: Our code does not include these specific provisions but we have had neither difficulty with obtaining co-operation from Councillors nor with malicious allegations made by Councillors. The ECC Code includes a general prohibition against bringing the office of councillor into disrepute. Making malicious allegations or failing to co-operate with an investigation is likely to be considered to bring the office into disrepute.

Recommendation: No action recommended.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

ECC Comment: Our code is regularly reviewed – it was substantially revised in 2016 and has been the subject of minor changes since then.

Recommendation: No action required.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

ECC Comment: We comply with this best practice.

Recommendation: No action required.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

ECC Comment: The register is updated as requested by Members and is published on line on each councillor's page. Although it is very accessible, it is not made available in a downloadable format, we have received no demand for this.

Recommendation: No action required.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

ECC Comment: The Committee has approved an investigation procedure which includes criteria against which allegations are tested. This is published on the ECC website.

Recommendation: No action required.

Best practice 7: Local authorities should have access to at least two Independent Persons.

ECC Comment: We comply with this as we have two Independent Persons.

Recommendation: No action required.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

ECC Comment: Independent Persons are not routinely consulted at this early stage in the process. The Monitoring Officer may however consult an independent person and/or the Chair of the Audit, Governance and Standards Committee in cases where an investigation decision is finely balanced.

Recommendation: That the Monitoring Officer consults an independent person if it is proposed not to investigate a complaint.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

ECC Comment: ECC already complies with this.

Recommendation: No action needed.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

ECC Comment: We comply with this best practice.

Recommendation: No action needed.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

ECC Comment: Not applicable to ECC as ECC is not responsible for parish councils

Recommendation: None

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

ECC Comment: We comply with this best practice.

Recommendation: No action needed.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Comment: Whilst this is not specifically written into our procedure, it is not prohibited and the Monitoring Officer has the ability to seek assistance from third parties and would do so if it were able to do so.

Recommendation: No action needed.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

ECC Comment: Our annual governance statement does include reference to separate bodies wholly owned by the Council. It is considered that the minutes of some company board meetings contain commercially sensitive information which should not be routinely published as some of our companies operate in competitive market places. ECC owned companies are however subject to the provision of the Freedom of Information Act 2000.

Recommendation: None.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

ECC Comment: The Monitoring Officer and the Head of Democracy and Transparency regularly meet with group leaders at the Corporate Governance Steering Board and at the Constitution Working Group. Any group leader is welcome to meet with the same officers at any time

Recommendation: None

6 Conclusion

- 6.1 The CSPL believes that its recommendations represent a package of reforms to strengthen and clarify the existing framework for local government standards.
- 6.2 Most of the recommendations would require primary legislation – whose implementation would be subject to a decision of the government to legislate and the availability of Parliamentary time. The Committee considers that those recommendations only requiring secondary legislation or amendments to the Local Government Transparency Code could be implemented by the Government relatively quickly.
- 6.3 The best practice the Committee have identified is, in most cases, already operating in a number of local authorities, including ECC.
- 6.4 Ultimately, the CfSPL believe that responsibility for ethical standards rests, and should remain, with local authorities. They also consider that senior councillors and officers must show leadership in order to build and maintain an ethical culture.
- 6.5 It is pleasing to note that, although there is never room for complacency with the maintenance and enforcement of ethical standards, ECC compares favourably with the recommendations and the best practice recommendations.

7. Financial Implications

7.1 This report has no financial implications.

8. Legal Implications

8.1 The standards system is required to be operated by law. Failure to operate an effective standards system can lead to offences being committed by members and decisions taken by the local authority being quashed.

9. Appendices

9.1 There are no appendices to this report

10. List of Background Papers

10.1 None. All background papers are published but members may find the following links helpful:

Report – Local Government Ethical Standards; A Review by the Committee on Standards in Public Life:

<https://www.gov.uk/government/publications/local-government-ethical-standards-report>

ECC webpage about standards:

<https://www.essex.gov.uk/Your-Council/Councillors/Pages/How-to-complain-about-a-councillors-conduct.aspx>

Meeting	Topic	Author	Notes
3 June 2019	To Approve the Draft Statement of Accounts 2018/2019 and the Draft Annual Governance Statement	Margaret Lee, Executive Director for Corporate and Customer Services and Christine Golding, Chief Accountant.	Annual (draft) report
	Internal Audit and Counter Fraud Annual Report 2018/19	Paula Clowes, Head of Assurance	
	Update on the level of assurance that there are appropriately designed and effectively operating arrangements to manage health and safety at the first, second, and third lines of assurance.	Paula Clowes, Head of Assurance	
	Review of Register of Gifts and Hospitality Register	Paul Turner, Director, Legal and Assurance	
	Scrutiny of Owners of outstanding Audit Recommendations – invited to attend (those unable to attend last meeting)	Paula Clowes, Head of Assurance	
Meeting	Topic	Author	Notes
29 July 2019	To Approve the Statement of Accounts 2018/2019 and the Annual Governance Statement	Margaret Lee, Executive Director for Corporate and Customer Services and Christine Golding, Chief Accountant.	Annual (final) report
	2018/2019 Audit Results Report for the Essex Pension Fund	Margaret Lee, Executive Director for Corporate and Customer Services	

2018/2019 Audit Results Report for Essex County Council

Margaret Lee, Executive Director for Corporate and Customer Services

Annual report

Meeting	Topic	Author	Notes
16 September 2019	Internal Audit and Counter Fraud progress report	Paula Clowes, Head of Assurance	
	Annual Audit Letter – 2018/19 To formally present the External Auditor's Annual Audit Letter for the year ending 31 March 2019.	From external auditors	Annual report
	Updating of Risk Management Strategy 2017-2021	Paula Clowes, Head of Assurance	Annual report
Meeting	Topic	Author	Notes
9 December 2019	Internal Audit and Counter Fraud progress report	Paula Clowes, Head of Assurance	
	Internal Audit Charter Annual Review	Paula Clowes, Head of Assurance	Annual report
	Counter Fraud Anti Bribery Strategy	Paula Clowes, Head of Assurance	Bi-Annual review
	Anti Money Laundering Policy	Paula Clowes, Head of Assurance	Bi-Annual review

