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**Minutes of the meeting of the Audit, Governance and Standards Committee, held in Committee Room 1 County Hall, Chelmsford, CM1 1QH on Monday, 4th June 2018****Present:****Members:**

Councillor T Cutmore	Chairman
Councillor P Channer	
Councillor A Davies	
Councillor A Hedley	Vice-Chairman
Councillor M Maddocks	(substitute for Councillor A Erskine)
Councillor Dr R Moore	
Councillor M Platt	
Councillor K Smith	
Councillor A Turrell	

**Also Present:**

Aaminah Aziz	Ernst and Young (external auditors)
Jane Dawson	Ernst and Young (external auditors)

**ECC Officers:**

Margaret Lee	Executive Director for Corporate and Customer Services
Paul Turner	Director, Legal and Assurance (Monitoring Officer)
Paula Clowes	Head of Assurance
Christine Golding	Chief Accountant
Judith Dignum	Democratic Services Manager

**1. 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 set out below, having been approved at the Annual Meeting of the Council on 15 May 2018:

Councillor T Cutmore (Chairman)	Councillor R Mitchell
Councillor P Channer	Councillor Dr R Moore
Councillor A Davies	Councillor M Platt
Councillor A Erskine	Councillor K Smith
Councillor A Hedley	Councillor A Turrell

2. Apologies for absence had been received from Councillor Erskine, for whom Councillor Maddocks was attending as substitute.
3. No declarations of interest were made. The Chairman reminded members that any interests must be declared during the meeting if the need to do so arose.

4. Councillor Channer informed the meeting that she wished to draw the Committee's attention to the fact that she had recently been appointed as a Non-Executive Director of Essex Cares Ltd. The company was mentioned within the report at agenda item 4 (Draft Statement of Accounts 2017/18 and Draft Annual Governance Statement) – minute 4 below refers. Councillor Channer informed the meeting that she had been advised that there was no need for her to declare an interest formally.

## **2. Minutes and Matters Arising**

The minutes of the meeting held on 26 March 2018 were approved as a correct record and signed by the Chairman.

Arising from consideration of minute 4 (Internal Audit Progress Report), the Chairman reported that the following email updates had been sent on 21 May 2018:

- to all members of the Committee regarding pre-paid cards; and
- to Councillor Smith regarding highways.

## **3. To appoint a Vice-Chairman of the Committee for 2018/19 Municipal Year**

Upon the nomination of the Chairman, duly seconded by Councillor Channer, it was

### **Resolved:**

That Councillor A Hedley be appointed as Vice-Chairman of the Committee for the Municipal Year 2018/19.

## **4. Draft Statement of Accounts 2017/18 and Draft Annual Governance Statement (AGS/11/18)**

The Committee's attention was drawn to an error in Recommendation 2 of the report, in which the reference to 2016/17 should read 2017/18.

Following an introduction by the Executive Director for Corporate and Customer Services, the Chief Accountant presented a draft of the Statement of Accounts for 2017/18 for information and explained the Committee's role with regard to approval and publication of the document in July 2018. The Committee noted the earlier statutory deadlines in place this year for presentation and publication of the annual accounts.

The Chairman encouraged Members to address any comments or questions they may have following this meeting to the Chief Accountant.

Information on the following was provided in response to Members' questions:

- Reassurance that, although current assets exceeded liabilities by £35m (meaning that for each £1 of current liabilities the Council held £1.09 of current assets) and the position appeared to have worsened since the same comparison was made in 2016/17, this was not an indicator of poor financial health. For local authorities, more accurate indicators of financial

wellbeing included performance against the budget and the adequacy of the reserves.

- An explanation of the term 'deferred capital receipts', whereby income due to the Council from property which it owns but leases, would be received over the term of the lease.
- Advice on the impact of the implementation of IFRS9 Financial Instruments, required with effect from 1 April 2018 and the Committee's limited discretion with regard to the acceptance or otherwise of accounting policies, which were set nationally.

The Director, Legal and Assurance, presented the draft of the Annual Governance Statement 2017/18, and the Committee noted that it would be asked to approve it formally, together with the Statement of Accounts, in July 2018.

Referring to the Action Plan within the Annual Governance Statement (page 235 of the agenda pack), the Chairman requested that the stated commitment to maintaining the development of new councillors should be broadened to include the continuing development of existing councillors.

**Resolved:**

1. That the arrangements for approval and publication of the Council's Accounts for 2017/18, as appended to report AGS/11/18, be noted.
2. That the draft Annual Governance Statement 2017/18 be noted, with the comment that the stated commitment to maintaining the development of new members, as set out within the Action Plan, should be broadened to include the continuing development of all councillors, not just those newly elected in 2017.
3. That the final versions of the Annual Governance Statement 2017/18 and the Statement of Accounts 2017/18 be submitted to the September meeting of the Committee for approval.

**5. Internal Audit and Counter Fraud Annual Report 2017/2018 (AGS/12/18)**

The Committee received the Internal Audit and Counter Fraud Annual Report (Appendix 1 to report AGS/12/18), together with the opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

In response to a question, the Head of Assurance advised that the overall opinion of adequate assurance was not unexpected given the amount of change currently being implemented within the Council. In her experience, the level of assurance tended to revert to 'good' once change became embedded. The Executive Director for Corporate and Customer Services commented that financial challenges were not the main driver of the ongoing transformation, which included a focus on getting things right first time and putting in place the right control

environment. The aim was to achieve a good assurance opinion, regardless of the financial circumstances.

Members noted that the Council operated a risk-based Audit Plan, which necessarily identified for review the areas of greatest risk, with the potential to impact accordingly on the level of assurance.

The report and appendices were **noted**.

**6. Internal Audit External Assessment (AGS/13/18)**

The Committee **noted** the results of the recent external assessment of the level of compliance with the Public Sector Internal Audit Standards (PSIAS).

Of the fourteen standards against which Internal Audit had been assessed, one area of non-compliance and three areas of partial compliance had been identified. In response to a question, the Head of Assurance described the arrangements in place to address these, including by means of amendment to the Internal Audit Charter (Minute 7 below refers).

**7. Internal Audit Charter (AGS/14/18)**

The Committee approved a revised Internal Audit Charter, noting the minor changes which had been incorporated to implement the recommendations made by the External Quality Assessment conducted in February 2018.

**Resolved:**

That the Essex County Council Internal Audit Charter be approved.

**8. Work Programme 2018 - 1029 (AGS/15/18)**

In receiving the latest version of the Work Programme, the Committee noted that employees in Legal and Assurance would work together to develop it further in time for the next meeting.

**11 Date of next meeting**

The Committee noted that the next meeting was scheduled for Monday 30 July 2018 at 10:00am in Committee Room 1, County Hall.

The meeting closed at 10.50am.

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**Chairman**

