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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, 25 March 2019**

**Present:**

**Members:**

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

**Also Present:**

David Eagles	BDO LLP (external auditors)
Nuwan Indika	BDO LLP (external auditors)
Barry Pryke	BDO LLP (external auditors)

**ECC Officers:**

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

**1. Welcome and Introduction**

The Chairman welcomed members of the committee, officers in attendance, and the representatives from the external auditors.

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 Erskine who was substituted by Councillor Maddocks.

3. With respect to the audit of the EPF item, Councillor Maddocks mentioned that he was in receipt of an Essex Pension. 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 10 December 2018 were approved as a correct record and signed by the Chairman.

### **4 Variation in the Order of Business**

The Chairman advised members that he intended to deal with item 5 on the agenda (Update on Adult Mental Health Services Internal Audit Review) as the first substantive item of business.

### **5 Update on Adult Mental Health Services Internal Audit Review**

Members of the committee received an oral update from Chris Martin, Director, Strategic Commissioning and Policy, regarding progress made since his presentation on 17 September 2018.

Mr Martin reminded members that there had been previous audit that had identified a number of weaknesses leading to a rating of 'no assurance'. The audit had identified priority areas including Partnership Arrangements, Service Delivery Standards, Policy and Practice and Key Performance Indicators. There had also been some practice orientated recommendations about Safeguarding Pathways, Training Provision for Social Work Staff, the quality of Recording, Review and Financial Reconciliation of Care Packages. There was a recommendation about strengthening the Section 75 Agreement itself post March 2019 and some recommendations about the Finance and Reporting Meeting, some robustness of the action points that stemmed from those meetings. There was also a need for declarations of interest to be noted in the meetings of the Partnership Board.

Mr Martin advised members that following the audit there had begun a programme of work including a lengthy and robust Improvement Plan

Following this a further audit had acknowledged that there was improved confidence and controls were in place. Furthermore, it had re-defined the service as 'adequate' in what, he had been advised, was a record time for such an improvement.

The key activities that were addressed related to:

- The location of information,
- The redrafting of Section 75 to commence at the end of March 2019,
- Performance Monitoring – including a robust management information set,
- Quality Auditing, practice audit reviews, file case audits and

- A broad Recovery Plan.

The next steps were to put in place the detailed Section 75 arrangements to operate post March 2019 and to operationalise the recommendations that were in the audit particularly around stronger governance within the partnership agreement.

The Chairman thanked Mr Martin and congratulated him on the effort and progress made.

There being no questions from members of the committee it was

### **Resolved**

That the oral report be noted.

## **6 Closure of the Accounts 2018/19**

Members of the committee received a report (AGS/26/19) from Margaret Lee, Executive Director for Corporate and Customer Services and presented by Christine Golding, the Council's Chief Accountant.

The report provided the members of the committee with an overview of the activities and arrangements in place for closure of the Council's 2018/19 accounts, and the timetable for the production and approval of the Statement of Accounts.

The arrangements are divided into three key areas:

- finalising the provisional outturns – an activity that requires considerable input from budget holders in the services,
- work required to comply with technical accounting standards and
- the consolidation of the accounts including those of ECC and Essex Cares.

The AGS Committee's role will be to consider the draft accounts at the meeting scheduled for June and then in July consider approval of the final accounts which will be presented together with the findings of the external auditors.

Members were advised that there was a requirement, arising out of CIPFA guidelines, to adopt two substantial changes to the Accounting Standards which were related to:

- revenue recognition and
- financial instruments.

Councillor Channer mentioned that she was a Director on the Board of Essex Cares.

### **Resolved**

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

## 7 External Audit Plan 2018/19

The members of the committee received a report (AGS/27/19 and appendices A and B) from Mr Eagles, Mr Indika and Mr Pryke, representatives of the council's external auditors BDO LLP, concerning the audit plans for ECC and the Essex Pension Fund.

Members were informed that the report submitted by the external auditors had highlighted the key risks that had been identified during the planning process and the scope of the audit. The main points were:

- The scope of the audit and the materiality thresholds,
- The independence and fees of the external auditors and should concerns any arise or variations to the scope of the planned audits how these issues would be addressed,
- The agreed Audit Timeline, the key dates and the commencement of interim and early work,
- An overview of risks identified in connection to the statement of accounts, including:
  - Management being able to override controls should they wish to do so,
  - Revenue streams, grants, conditions, ECC exposure to risks arising out of Brexit (which is minimal) as well as recognition of expenditure being in the correct year,
  - Valuation of property, plant and buildings,
  - Valuation of pension liabilities,
  - Overseas assets,
  - Documentation of risks relating to the Waste Treatment Plant,
  - Related party Transactions, particularly when relationships may not have been declared. We will be seeking reassurance that all Registers of Interest are up to date and complete and
  - New accounting standards being implemented.

He stressed that the external auditors were focussed on risks which they believed had the potential to be incorrect and specifically two areas had been identified where, should they get their opinion or assessment wrong, there could be a significant impact. These two areas were both Value for Money Risks.

Members were informed that they had received a very helpful initial briefing from Margaret Lee, Executive Director for Corporate and Customer Services concerning the sustainable financial position.

The committee then considered that part of the report submitted by the external auditors that related to the Pension Fund. The main points of this part of the report were:

- The overall financial statement materiality for the pension fund audit had been set at 1% of the net assets in the financial year which was a significant decrease over the previous financial year. At that time materiality had been 2% of the net assets. It had been considered more appropriate to set the

materiality at 1% because this was more common with other large pension fund audits.

- There was also a specific materiality for the fund account which was £13.8m.
- The threshold of trivialities for the overall financial statement had been set at £1.3m and £276,000 for the fund account.

The members of the committee were advised of the timeline, the key dates and the fact that work had already commenced.

There had been identified three significant risks which were:

- Management override of financial controls,
- The valuation of property investments and
- Pension Liability Valuation.

The three 'normal' risks related to:

- The correct calculation of the Pension Contributions,
- The valuation of investments (other than property) and
- The classification of financial instruments and new accounting standards.

### **Resolved**

The report was noted.

## **8 Internal Audit and Counter Fraud Plan 2019/20**

The members of the committee received a report (AGS/28/19 and appendix 1) from Paula Clowes, Head of Assurance who presented the draft internal plan for 2019/2020.

In response to a question, members of the committee were advised that once the plan was approved in consultation with operational managers, decisions would be made, to establish a timetable for delivery.

### **Resolved**

To approve the 2019/20 Internal Audit and Counter Fraud Plan at appendix 1 to the report

## **9 Internal Audit and Counter Fraud Progress Report**

The members of the committee received a report (AGS/29/19 and appendices 1 and 2) from Paula Clowes, Head of Assurance that provided the members of the committee with the 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 28 February 2019.

Members noted that a report by Internal Audit provides an overall assurance rating which was either 'Good' 'Adequate' 'Limited' or 'No' Assurance.

Members of the committee were informed that since the last meeting there had been five internal audit reports issued and Internal Audit had carried out work on three grant claims. None of the audits resulted in a 'Limited' or 'No Assurance' audit opinion.

The report also covered outstanding internal audit recommendations. Members were reminded that there was an action from the last meeting on this matter, such that, on behalf of the Chairman of the committee all owners of the outstanding recommendations were requested to provide a recent update. This was effective in securing an update and the updated position was circulated to members.

However, since that time thirteen further recommendations are now beyond their latest agreed due dates as shown in Appendix 2 of the report. It was noted that the IT Strategy recommendation had been erroneously included in the table since, in fact, the recommendation was not overdue.

Members were concerned about the owners of recommendations repeatedly failing to provide updates to the Internal Audit service. Paul Turner, Director, Legal and Assurance suggested that a letter from the Chairman be sent as happened in December 2018. This was agreed by the Committee.

Members also noted that the counter fraud audit team were currently sifting and examining the results of the National Fraud Initiative Data Matching results. This team have also in the last year recovered approximately £216k of fraudulent payments mainly in the area of Adult Social Care.

In response to a question from a member of the committee regarding the recovery of £57,256 related to a datamatch of ECC pensions to service users in receipt of a social care package it was agreed that the Head of Assurance would determine how many cases had been identified and the figure sent to members of the committee by email.

### **Resolved**

That the report be noted

## **10 Report on the outcome of the Committee on Standards in Public Life review of Local Government Ethical Standards**

The members of the committee received a report (AGS/30/19) from Paul Turner, Director, Legal and Assurance which informed the Committee about the outcome of the review, by the Committee on Standards in Public Life of Local Government Ethical Standards.

Members of the committee noted the 26 recommendations as detailed in the report.

Members discussed the relative merits of declaring, or not being required to declare, their home addresses. They also discussed the advice provided on the use of social media and the Monitoring Officers proposal to consult an Independent Person were it to be proposed not to investigate a complaint.

### **Resolved**

1. That the report be noted
2. The Committee noted that the monitoring officer proposes to adopt the practice of consulting an independent person if it is proposed not to investigate a complaint.

## **11 Work Programme**

The members of the committee received a report (AGS/31/19) from Paul Turner, Director, Legal and Assurance

Members of the committee noted that the Work Programme was subject to regular revisions and change and members were encouraged to suggest to the Chairman or to officers should they wish a matter to be included in the programme.

## **12 Date of Next Meeting**

Members noted that the next meeting of the committee was scheduled to be on Monday 3 June 2019 at 10.00am in Committee Room 1

The meeting closed at 11.10am.

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**Chairman**  
**3 June 2019**