



Essex County Council

Audit, Governance and Standards Committee

10:00	Monday, 31 October 2022	Committee Room 1 County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

Sophie Crane, Senior Democratic Services Officer

Telephone: 03330 134555

Email: democratic.services@essex.gov.uk

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		Pages
1	Membership, apologies, substitutions and declarations of interest	5 - 5
2	Minutes and matters arising	6 - 8
	To approve as a correct record the minutes of the meeting held on 25 July 2022 and to identify any matters arising.	
3	Election of Vice Chairman	
	To elect a Vice Chairman or Vice Chairmen to serve for the remainder of the current Municipal Year (ie until May 2023)	
4	2021/22 Audit Planning report for Essex Pension Fund (AGS/23/22)	9 - 39
	To receive a report from BDO, presented by Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant.	

5	Update on the 20/21 and 21/22 external audits of the Council and Essex Pension Fund (AGS/24/22)	40 - 45
	To receive a report from Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant.	
6	Update on the national scheme for local auditor appointments (AGS/25/22)	46 - 52
	To receive a report from Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant.	
7	Internal Audit and Counter Fraud Progress Report (AGS/26/22)	53 - 72
	To receive a report from Paula Clowes, Head of Assurance.	
8	Updated Counter Fraud and Corruption Strategy 2022 (AGS/27/22)	73 - 89
	To receive a report from Paula Clowes, Head of Assurance.	
9	Updated Anti Bribery and Corruption Policy 2022 (AGS/28/22)	90 - 106
	To receive a report from Paula Clowes, Head of Assurance.	
10	Updated Anti Money Laundering Policy 2022 (AGS/29/22)	107 - 122
	To receive a report from Paula Clowes, Head of Assurance.	
11	Work Programme 2022/23 (AGS/30/22)	123 - 124
	To receive a report from Paul Turner, Head of Legal and Assurance.	
12	Date of next meeting	
	To note that the next meeting of the Committee will take place at 10am on Monday 28 November 2022 in Committee Room 1, County Hall, Chelmsford, CM1 1QH.	

13 Urgent Business

To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

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.

14 Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

Committee: Audit, Governance and Standards

Enquiries to: Sophie Crane, Senior Democratic Services Officer
Democratic.services@essex.gov.uk

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 S Barker

Councillor A Hedley

Councillor M Hoy

Councillor D King

Councillor L Mackenzie

Councillor A McGurran

Councillor A McQuiggan

Councillor M Platt

Councillor L Shaw

Councillor C Siddall

Mr Atta Ul Haque

Chairman

Independent member (non-voting)

The Minutes of the meeting of the Audit, Governance and Standards Committee, held in Committee Room 1, County Hall, Chelmsford on Monday 25 July 2022

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

Present:

Members of the Committee:

Councillor A Hedley	Chairman
Councillor S Barker	
Councillor M Platt	
Councillor D King	
Councillor L Shaw	
Councillor L McKenzie	

ECC Officers:

Christine Golding	Chief Accountant
Stephanie Mitchener	Director, Finance
Sophie Crane	Senior Democratic Services Officer
Judith Dignum	Democratic Services Officer
Paul Turner	Director, Legal and Assurance (Monitoring Officer) joined the meeting online via Zoom.

Welcome and Introduction

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

1. Membership, Apologies, Substitutions and Declarations of Interest

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

1. The membership of the Audit, Governance and Standards Committee was as shown in the report.
2. Apologies had been received from Councillor Siddal, Councillor McQuiggan and Mr Atta UI-Haque, Independent Member appointed to the Committee. It was noted that Cllr McQuiggan would join the meeting online via Zoom and therefore would not be able to participate in any vote.
3. No declarations of interests were made.

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

2. Minutes and Matters Arising

The minutes of the meeting held on Monday 27 July were approved as a correct record and there were no matters arising.

3. Draft Statement of Accounts and draft Annual Governance Statement for 2021/22 (AGS/21/22)

Christine Golding, Chief Accountant introduced the report and highlighted the following points:

- The report had originally been scheduled for the Committee's previous meeting but was deferred pending the anticipated outcome of the CIPFA LASAAC consultation on proposed changes to the Accounting Code on accounting for infrastructure assets. The situation had become a national issue, resulting in widespread delays across the sector.
- As the 2021/22 draft Statement of Accounts had been prepared in line with existing accounting policy, amendments may be required in the event that the eventual solution for infrastructure assets indicated a different accounting treatment.
- The accounts included key financial statements, accounting policies and information to explain the year-end position. Group accounts, which consolidate the Council's accounts with those of its two main subsidiaries, Essex Cares and the Essex Housing Development LLP, were also included, as were the accounts for the Pension Fund.
- The position in the financial statements was consistent with the outturn position reported to Cabinet in June 2022.

It was confirmed that the 2020/21 accounts had not been yet signed off by the Council's external auditors, who were also yet to start work on the 2021/22 accounts.

Councillor Hedley thanked the finance team for their hard work and diligence, highlighting the conclusion of the narrative report of the accounts. This indicated that through careful planning and robust financial management the Council had been able to set resources aside to provide some mitigation in the short-term against escalating costs and to set funds aside for one-off investment in key priorities.

It was clarified that levels of sundry debt were proactively managed by the Council's income team and kept under continual review. The reported data represented a fairly typical position, broadly in line with previous years.

Paul Turner, Director, Legal and Assurance introduced the draft Annual Governance Statement and highlighted the following points:

- Overall, the Council's governance arrangements gave 'Satisfactory Assurance' for 2021/22.
- 74/75 Members had attended training on the Code of Conduct, this figure would be reset for the next Annual Governance Statement because the

Council adopted a new Code of Conduct in May 2022. Therefore, Members were encouraged to attend training during 2022.

- The Health and Safety Executive had confirmed that it would not be taking forward the school-related health and safety issue referred to within the Annual Governance Statement as no evidence of a breach had been found.
- A list of companies with which the council is associated was included; this was in response to a recommendation from the Committee on Standards in Public Life.
- No significant governance issues were identified 2021/22, however an action plan of matters to improve or monitor had been prepared.

It was confirmed that officers were working with group leaders to support members in completing the Code of Conduct training.

Resolved

1. It was noted that in line with statutory deadlines:

- The draft Statement of Accounts for 2021/22 will be published and released for external audit on or before 31 July 2022.
- The public inspection period will commence on 1 August 2022 and will run for a period of 30 working days.

2. It was noted that:

- The outcome of the recent CIPFA LASAAC consultation on proposed augmentations to the Accounting Code on accounting for infrastructure assets was still awaited.
- It may be necessary to amend the draft Statement of Accounts for 2021/22 in the event that the eventual solution for infrastructure assets requires a different accounting treatment to that applied by the Council.

3. To note the draft Annual Governance Statement for 2021/22, as appended to report AGS/21/22.

4. Work Programme (AGS/22/22)

The Work Programme was noted.

5. Date of next and Future Meetings

The dates were noted.

Chairman

Report title: 2021/22 Audit Planning Report for Essex Pension Fund	
Report to: Audit, Governance and Standards Committee	
Report author: Nicole Wood, Executive Director, Corporate Services	
Date of meeting: 31 October 2022	For Approval
Enquiries to Nicole Wood, Executive Director, Corporate Services email nicole.wood@essex.gov.uk or Samantha Andrews, Investment Manager, Essex Pension Fund email Samantha.andrews@essex.gov.uk	
Divisions affected All Essex	

1. Everyone's Essex

- 1.1 The Audit, Governance and Standards Committee has responsibility for approving the Council's Annual Statement of Accounts, including the financial statements of the Essex Pension Fund, and for receiving and considering related reports issued by the Council's External Auditor (BDO LLP).
- 1.2 The purpose of this report is to present BDO's 2021/22 Audit Planning Report for the Essex Pension Fund, as appended.

2. Recommendations

- 2.1 That the Committee notes the content of BDO's report.

3. Background

- 3.1 The Audit Planning Report explains how BDO intend to carry out their responsibilities as auditor of the Essex Pension Fund. Specifically, they provide the Committee with a basis to review BDO's approach and scope for the 2021/22 audit, to ensure that they are aligned with the Committee's expectations.
- 3.2 The plan summarises BDO's assessment of the key risks driving the development of an effective audit for the Essex Pension Fund and outline their planned audit strategy in response to those risks.
- 3.3 The scope of the audit is determined by the National Audit Office's Code of Audit Practice which sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014.
- 3.4 The plan also summarises BDO's proposed timelines for completion of their audit of the Essex Pension Fund.

3.5 BDO welcome the opportunity to discuss the plan with the Committee.

4. Policy context

4.1 The Audit Planning Report explains the approach that BDO intends to take to provide their opinion on the financial statements of the Essex Pension Fund.

5. Financial Implications

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

6. Legal Implications

6.1 External audit is a statutory requirement which can only be undertaken by a qualified auditor appointed following the correct legal process.

6.2 If done effectively it can provide assurance that the Council has a sound system of internal controls, that risks are being effectively managed and that money is being spent effectively.

6.3 The legally appointed auditor is entitled to charge statutory fees and also to do further work, and charge further fees, if they consider it necessary in accordance with the legislation.

6.4 A key task of the Audit, Governance and Standards Committee is to review the proposed work plan and suggest any areas that they feel should be looked at as part of the audit.

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

9.1 Appendix 1 – 2021/22 Audit Plan for Essex Pension Fund.

10. List of Background Papers

10.1 None

Essex Pension Fund

Audit Planning Report: Year ended 31 March 2022

Report to the Audit, Governance and Standards Committee

Contents

Table Of Contents	2
Introduction	3
Executive summary	4
Independence and fees	5
Audit scope and objectives	6
Audit timeline	7
Team organisation	8
Overview of risks	9
Risk 1	10
Risk 2	11
Risk 3	12
Risk 4	13
Risk 5	14
Risk 6	15
Matters for further discussion	16
Related parties, Contingencies	17
Understanding IT environment	18
Our Approach	19
Appendices contents	20
Communication with you	21
New Accounting Standards	22
Other information	23
Quality Assurance	24
AQR results 2020/21- An Overview	25



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Welcome

Introduction

- Table Of Contents
- **Introduction**
- Executive summary
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

We have pleasure in presenting our Audit Planning Report to the Audit, Governance and Standards Committee. 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 2022, comprising materiality; key audit risks and the planned approach to these; together with audit timetable.

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.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Audit, Governance and Standards Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We look forward to discussing this plan with you at the Audit, Governance and Standards Committee meeting on 31 October 2022 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**, Appointed Auditor

14 October 2022

This report has been prepared solely for the use of the the Audit Committee 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.



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The numbers

Executive summary

- Table Of Contents
- Introduction
- **Executive summary**
 - Independence and fees
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

This summary provides an overview of the audit scope and materiality for the year ended 31 March 2022.

Audit scope

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

There has been no significant changes to the scope of the audit on prior year.

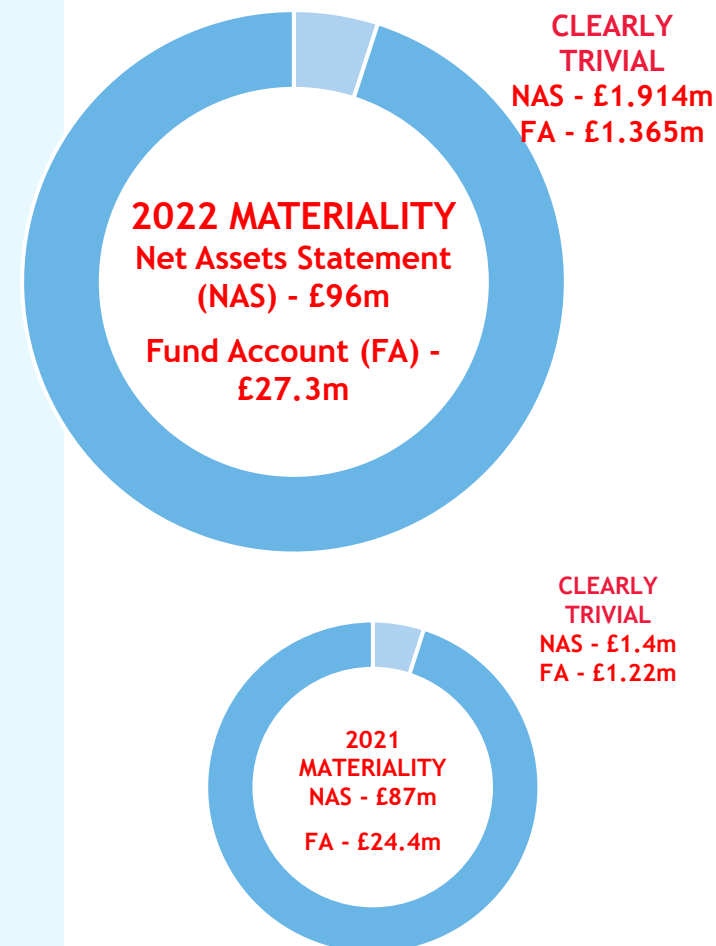
Planning materiality for the Pension Fund will be based on and is outlined in the chart to the side. Overall materiality is based on 1% of net assets, and the Fund Account specific materiality is based on 7.5% of gross pension fund expenses.

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

Responsibilities of the Executive Director, Corporate Services, and Essex County Council (“the Council”) as administering authority of the pension fund

Executive Director, Corporate Services, is responsible for the preparation of the Statement of Accounts, which comprises the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

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.



Independence and fees

Executive summary

- Table Of Contents
- Introduction
- **Executive summary**
 - **Independence and fees**
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

Independence

We confirm that the firm, and the engagement team conducting the audit comply with relevant ethical requirements including the Financial Reporting Council's (FRC's) Ethical Standard as appropriate and are independent of the Company.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including, as a minimum, the FRC's Ethical Standard and the National Audit Office's (NAO) Auditor Guidance Note 01 (AGN01), and are independent of the Pension Fund.

There were no non-audit services provided by us to the Pension Fund during the period and up to the date of this Audit Planning Report.

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

Fees

The 2021 audit is not yet finalised, so the outturn position is marked TBC.

The 2022 audit is ongoing, so fees represent our best estimate, including additional income and IT controls requirements.

	Fees (£)		Independence safeguards	Impact on independence
	2022	2021		
Statutory audit	44,500	TBC	N/A	N/A
Additional fee for IAS 19 assurance requests	7,875	7,500	N/A	N/A
Additional audit fee: COVID remote working	-	TBC	N/A	N/A



Overview

Audit scope and objectives

- ▶ Table Of Contents
- ▶ Introduction
- ▶ Executive summary
- ▶ **Audit scope and objectives**
 - Audit timeline
 - Team organisation
- ▶ Overview of risks
- ▶ Matters for further discussion
- ▶ Understanding IT environment
- ▶ Appendices contents
 - AQR results 2020/21- An Overview

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.

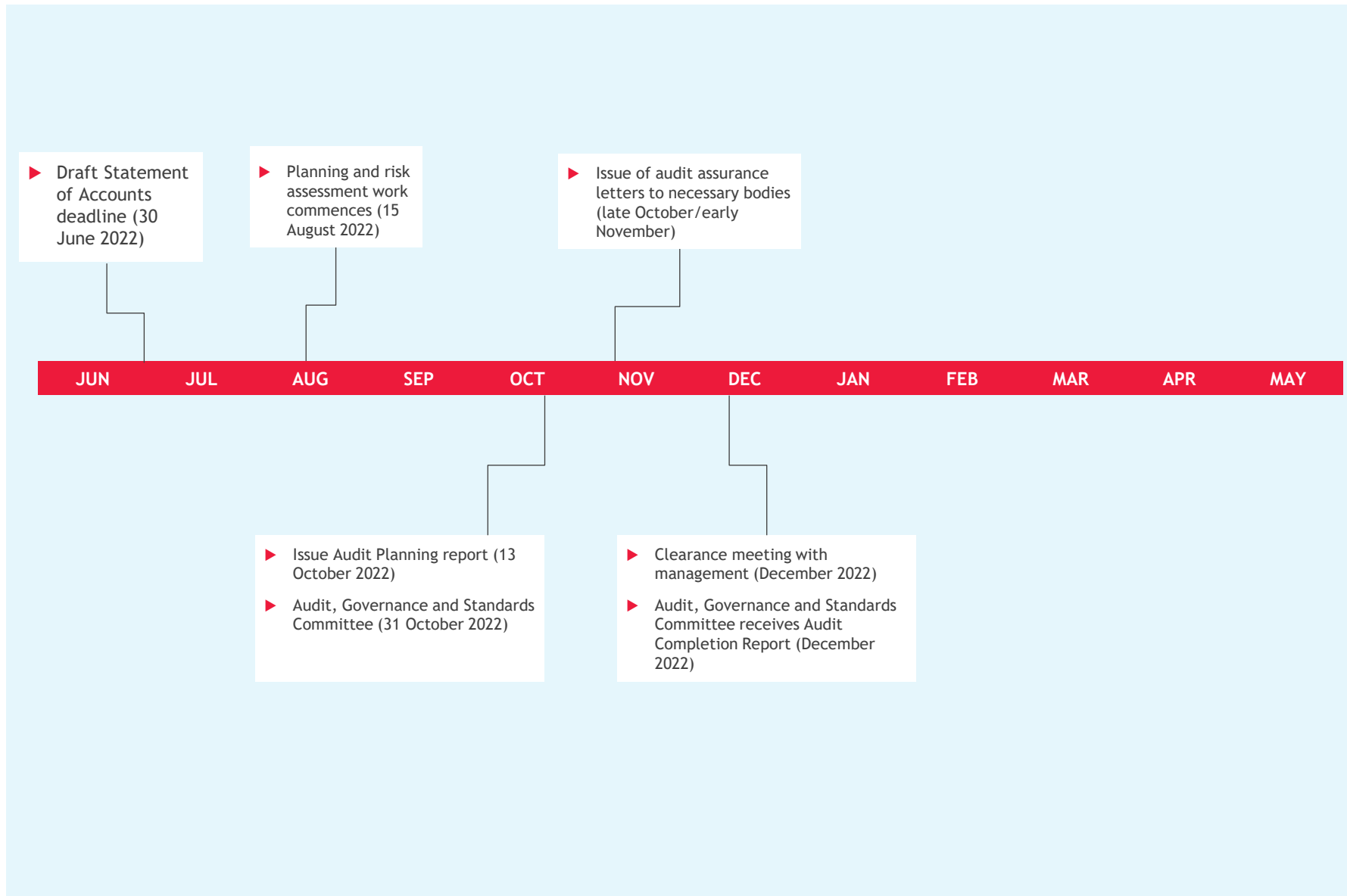
We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and Practice Note 10 and any relevant guidance published by the National Audit Office.
Financial statements	We will express an opinion on the Pension Fund's financial statements (which are included within the Council's overall Statement of Accounts), prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22 and other directions.
Annual report	In addition to our objectives regarding the financial statements, we will also read and consider the 'other information' contained in the Annual Report (the narrative sections of the overall Statement of Accounts) 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.
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

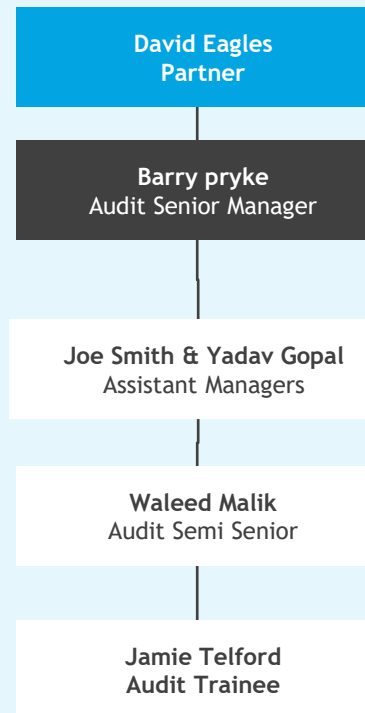
- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
 - Audit timeline
 - Team organisation
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview



Team organisation

Our structure

- Table Of Contents
- Introduction
- Executive summary
- **Audit scope and objectives**
 - Audit timeline
 - **Team organisation**
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview



Overview of risks

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- **Overview of risks**
 - Risk 1
 - Risk 2
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 6
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

Our Audit Strategy is built 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 business, 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. We will continue to update this assessment throughout the audit.

Please note, our risk based approach will be focused over 5 BDO assertion. These assertions include:

C - Completeness

E - Existence

A - Accuracy

V - Valuation

P - Presentation

#	Risk identified	Key audit matter	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
1	Management override	No	Significant	Yes	Substantive	High
2	Valuation of investments (Unquoted and direct property investments)	No	Significant	Yes	Substantive	High
3	Valuation of Pension liability	No	Significant	No	Substantive	High
4	Valuation of investments (Pooled investments)	No	Normal	No	Substantive	Low
5	Contributions receivable	No	Normal	No	Substantive	Low
6	Management expenses	No	Normal	No	Substantive	Low

Risk 1

Management override of controls

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
 - Risk 1
 - Risk 2
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 6
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

	C	E	A	V	P	2022	2021
Management override	x	x	x	x	x	N/A	N/A

Risk detail

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. We are required to consider this as a significant risk of material misstatement due to fraud.

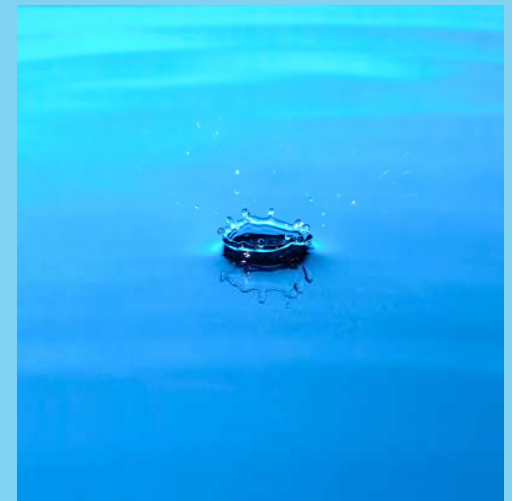
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.

Planned audit approach

Our audit procedures will include the following:

- A 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 audit specialists to assist with the journal extraction;
- Evaluation of risks arising from automated journals
- Evaluate findings from evaluation of design and implementation of IT general controls
- A critical review of the consolidation and, in particular, manual or late journals posted at consolidated level;
- A review of estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias; and

● Significant risk
Normal risk
● Fraud risk
● Related controls identified to mitigate risk
● Significant Management estimates & judgements
Controls testing approach
● Substantive testing approach



Risk 2

Valuation of investments (Unquoted and direct property investments)

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
 - Risk 1
 - Risk 2
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 6
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

	C	E	A	V	P	2022	2021
Change in Market Value			x			£(828.6)m	£(2,008.3)m
Investments				x		£9,601.8m	£8,674.5m

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;
- For property valuations, we will agree input data used by the valuer such as agreeing rental information to the underlying rental agreements, and will review the rental yields against the comparable data and indices for reasonableness;
- 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.

● Significant risk
Normal risk
Fraud risk
● Related controls identified to mitigate risk
● Significant Management estimates & judgements
Controls testing approach
● Substantive testing approach



Risk 3

Valuation of Pension liability

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
 - Risk 1
 - Risk 2
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 6
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

	C	E	A	V	P	2022	2021
Pension Disclosure	x	x	x	x	x	N/A	N/A

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 the most up to date membership data held by the Pension Fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

The most recent actuarial valuation of the pension fund liability was carried out during the 2019/20 year to calculate the liability as at 31 March 2019. This involved the provision of membership and cash flow data from the pension fund to the actuary, data cleansing by the actuary and re-setting the financial and actuarial assumptions related to the valuation. The estimate of the pension fund liability at 31 March 2022 is based on a roll-forward of data from the 2019 triennial valuation, updated where necessary.

There is a risk the valuation disclosed in the notes to the Pension Fund accounts is not based on appropriate membership data (where there are any significant changes) or uses inappropriate assumptions to value the liability.

Planned audit approach

Our audit procedures will include the following:

- Reviewing the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate;

- Test a sample of transfers and cash flow data sent to the actuary for existence and accuracy;
- Reviewing the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions;
- Check whether any significant changes in membership data have been communicated to the actuary; and
- Agreeing the disclosure to the information provided by the actuary.

● Significant risk
Normal risk
Fraud risk
● Related controls identified to mitigate risk
● Significant Management estimates & judgements
Controls testing approach
● Substantive testing approach



Risk 4

Valuation of Investments (Pooled investments)

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
 - Risk 1
 - Risk 2
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 6
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

	C	E	A	V	P	2022	2021
Change in Market Value			x			£(356.9)m	£(1,699.5)m
Investments				x		£6,573.9m	£5,916.8m

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 monthly/ 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.

Significant risk
● Normal risk
Fraud risk
● Related controls identified to mitigate risk
Significant Management estimates & judgements
Controls testing approach
● Substantive testing approach



Risk 5

Contributions Receivable

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
 - Risk 1
 - Risk 2
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 6
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

	C	E	A	V	P	2022	2021
Contributions	x	x	x			£(292.3)m	£(313.7)m

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 and paying over the full amount due to the pension fund.

Planned audit approach

Our audit procedures will include the following:

- Test a sample of normal contributions due (and test where a combined rate including deficit applies) 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.

Significant risk
● Normal risk
Fraud risk
Related controls identified to mitigate risk
Significant Management estimates & judgements
Controls testing approach
● Substantive testing approach



Risk 6

Management expenses

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
 - Risk 1
 - Risk 2
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 6
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

	C	E	A	V	P	2022	2021
Management expenses	x	x	x			£81.4m	£58.2m

Risk detail

The Pension Fund are required to pay investment management and performance related fees to the Fund Managers. The investment management fee is typically derived from the value of the portfolio invested in each fund manager and the type of investment undertake. The performance related fees are based on the return generated yearly and is the more volatile aspect of management expenses.

There has been a significant increase in management fees year on year (44%) while the value of the investments under management has only increased by 11%. Where as investments under management in the increased by more than 20% in 2020/21. This indicates a risk that expenditure cut-off has not been correctly applied for 2021/22.

Planned audit approach

Our audit procedures will include the following:

- Test a sample of management expenses agreeing them back to supporting documentation from the custodian or Fund Managers.
- Review the significant movements in management expenses to confirm they are reasonable and in line with supporting documentation.

Significant risk
● Normal risk
Fraud risk
Related controls identified to mitigate risk
Significant Management estimates & judgements
Controls testing approach
● Substantive testing approach



Other matters requiring further discussion

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- **Matters for further discussion**
 - Related parties, Contingencies
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

Fraud

Whilst Management 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.

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 the CIPFA code of practice on Local Government Accounting 2021-22.

Significant accounting estimates and judgements

We will report to you on significant accounting estimates and judgements.

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

Internal audit

We do not plan to review the audit work of the Company's internal audit function and anticipate that we will not be able to place reliance on their work in respect of their assessment of control processes.

Laws and regulations

We will consider compliance with laws and regulations. The key elements are:

- Local Government Superannuation Regulations 1974
- Public Service Pensions Act 2013.

The Fund is administered in accordance with the following secondary legislation:

- Local Government Pension Scheme (LGPS) Regulations 2013 (as amended);
- LGPS (Transitional Provisions, Savings and Amendment) Regulation 2014 (as amended); and
- LGPS (Management and Investment of Funds) Regulations 2016.

We will make enquiries of Management and review correspondence with the relevant authorities.

Other matters requiring further discussion 2

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- **Matters for further discussion**
 - **Related parties, Contingencies**
- Understanding IT environment
- Appendices contents
 - AQR results 2020/21- An Overview

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 Board.

Financial statement disclosures

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

Contingencies

We request input from the Audit, Governance and Standards Committee on recent claims.

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.

Audit of revenue

As part of our ongoing commitment to enhancing audit quality, we have recently introduced some amendments to our audit approach in relation to revenue.

The revisions to our audit approach are designed to encourage fresh-perspective thinking in relation to the way we audit revenue and is intended to ensure that our approach is tailored to the audited entity.

We plan to ensure a deep and thorough understanding of all of the audited entity's revenue streams, a focus on the accounting policies and application of judgements and estimates and taking time to fully explore and document management's system of internal control in place over each revenue stream. This will include considering how IT is used as part of the system of internal control.

The audit team will then consider in detail the circumstances that may mean that revenue may not be captured, processed, controlled or reported as expected and will consider whether those circumstances represent or coalesce as a risk of material misstatement. Should any resultant risk be identified as significant, the audit team will focus their audit effort on those risks, considering specific controls that management may have designed and implemented to prevent material misstatement, test those controls if feasible, report and control deficiencies and consider what other evidence may be necessary to be able to form our conclusions in this area.

We report details of risks arising in relation to revenue in the section on "audit risk" elsewhere in this Report.

As part of these changes, you may notice that the audit team spends more time on this area of the audit than you might expect. We will be pleased to discuss the reasons for this, our findings and where appropriate, any recommendations that we might have for management.

Understanding your IT environment

Overview

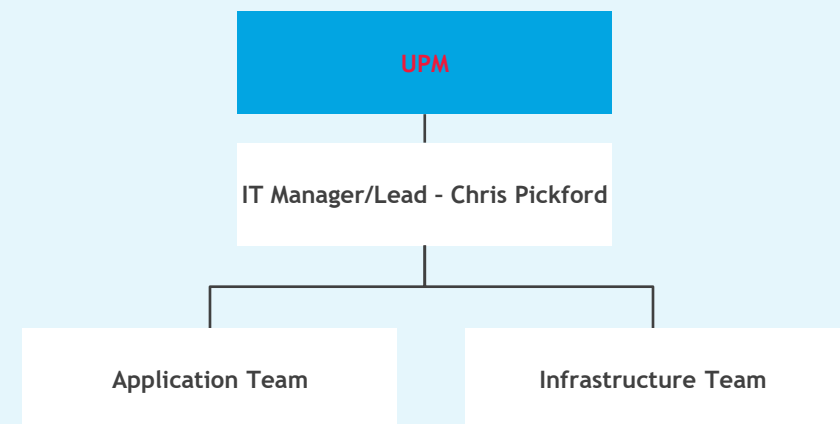
- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- **Understanding IT environment**
 - Our Approach
- Appendices contents
 - AQR results 2020/21- An Overview

Understanding your entity's IT environment is a component of the system of internal control which we must evaluate during risk assessment procedures in accordance with ISA 315 (Revised 2019), Identifying and Assessing Risks of Material Misstatement

The objective of understanding your IT environment is to identify potential risks arising from the use of IT, through identifying key IT applications and processes relevant to the audit. This information will then assist in identifying IT general controls (ITGCs) that address those risks and creating specific audit responses to address those risks, as applicable. We follow the same process for your business cycles and identifying related control activities relevant to the audit.

The IT environment consists of the IT applications and supporting IT infrastructure, as well as the IT processes and personnel involved in those processes that an entity uses to support business operations and achieve business strategies.

Our Understanding of your IT Function and Systems



Our Approach

IT Audit Scope and Methodology

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- **Understanding IT environment**
 - Our Approach
- Appendices contents
 - AQR results 2020/21- An Overview

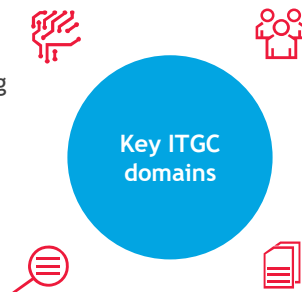
Based on our understanding of your IT control environment and key business cycles, we will perform procedures over the design and implementation (D&I) of your IT General Controls for the applications and underlying databases, considered to be in scope for the audit. The results of these procedures will determine whether we perform operating effectiveness testing over those ITGCs, with the intention of placing audit reliance upon those controls. This approach has been outlined below:

Access management

- User access provisioning
- Excessive Access
- Generic accounts and Privilege access
- User access de-provisioning
- User access review

Program changes

- Change evaluation
- Change authorization
- Existence of different environments
- Segregation of duties.

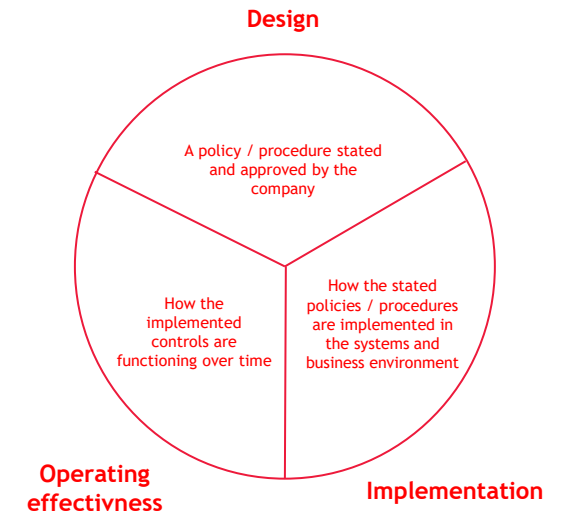


Data processing management

- Completeness and accuracy of data movement
- Modification of schedules and jobs
- Exception handling workflow in case of job/interface failure

Program development

- - Governance over system change, including evaluation of design and testing of controls in the new environment
- Data migration



Based on our initial understanding of your IT environment, we consider the following applications likely to be in scope for the audit, however we may revise the scope of our work as we proceed further through the planning and execution phases of the audit.

Application in scope	Underlying Database	Business function	Brief Description
UPM	N/A	Membership data & Pensions	
Oracle (Cloud based)	N/A	Main Financial system	

Appendices contents

- ▶ Table Of Contents
- ▶ Introduction
- ▶ Executive summary
- ▶ Audit scope and objectives
- ▶ Overview of risks
- ▶ Matters for further discussion
- ▶ Understanding IT environment
- ▶ **Appendices contents**
 - Communication with you
 - New Accounting Standards
 - Other information
 - Quality Assurance
 - AQR results 2020/21- An Overview

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Communication with you

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- **Appendices contents**
 - **Communication with you**
 - New Accounting Standards
 - Other information
 - Quality Assurance
- AQR results 2020/21- An Overview

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Board of Councillors 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 & Standards Committee

In communicating with the Audit, Governance & Standards Committee, representing TCWG of the parent and the Group, we consider TCWG 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.

Audit Planning Report

The Audit 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 signed and dated prior to issue of the Audit Opinion.

New Accounting Standards, Auditing Standards and Other Financial Reporting Developments

Audit scope and objectives

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- Appendices contents
 - Communication with you
 - **New Accounting Standards**
 - Other information
 - Quality Assurance
 - AQR results 2020/21- An Overview

We would like to draw to your attention the following summary of key changes to standards, regulations and other financing reporting developments, their effective dates and an indication, based on preliminary

discussions with management and our sector understanding, of their possible effect on the annual report.

New Accounting Standards, Auditing Standards and Other Financial Reporting Developments	Expected effect				Effective for periods beginning on or after 1 January	
	None	Low	Medium	High	2021	2022
[IBOR Reform Phase 2 Amendments]		●			●	
Amendments to IFRS 16: Covid-19 related Rent Concessions beyond 30 June 2021		●			● 1 April 2019	
Amendments to IAS 37 Onerous Contracts - Costs of Fulfilling a Contract		●				●
ISA (UK) 240 (Revised May 2021) - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements			●			● 15 December 2021
ISA (UK) 315 (Revised July 2020) - Identifying and Assessing the Risks of Material Misstatement				●		● 15 December 2021

Other information

Audit requirements - other information in the annual report

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- **Appendices contents**
 - Communication with you
 - New Accounting Standards
 - **Other information**
 - Quality Assurance
 - AQR results 2020/21- An Overview

As we note in the 'Overview - Audit Scope and Objectives' section, we have responsibilities in relation to going concern and the other information (including statutory other information) in the Statement of Accounts.

In order to allow us to fulfil these obligations we ask that you please make available to us the following information as soon as is practicable:

Other Information	A final draft of the other information with relevant supporting documentation, sufficiently far in advance of the date on which the audit report is expected to be signed to give us adequate time to complete our work.
Information not directly derived from the financial statements or accounting records	For information not directly derived from the financial statements or otherwise from the accounting records of the Pension Fund, details of the source of that information.
Principal Risks - assessment of risks	A copy of the risk register or equivalent together with details of directors' consideration of risks including completeness of risks recorded in the register.
Managements' assessment of going concern	In the public sector, the assessment of going concern is driven by the principle of "continuing service provision".

Quality Assurance

Our Quality Ethos

- ▶ Table Of Contents
- ▶ Introduction
- ▶ Executive summary
- ▶ Audit scope and objectives
- ▶ Overview of risks
- ▶ Matters for further discussion
- ▶ Understanding IT environment
- ▶ **Appendices contents**
 - Communication with you
 - New Accounting Standards
 - Other information
 - **Quality Assurance**
 - AQR results 2020/21- An Overview

Bdo's quality ethos: bringing audit quality to life

We take audit quality extremely seriously and embrace our responsibility for providing the highest quality assurance and acting in the public interest. Quality assurance is given the highest priority in the firm and is an integral part of the way we work.

All of our employees are bound by our quality assurance policies, which set out common standards for delivery of all our services. These are designed to ensure that your audit meets all applicable professional standards, regulatory requirements and that the firm issues reports that are appropriate in the circumstances.

Where your highest audit quality comes from

- ▶ All members of the team are subject to external and internal Audit Quality Reviews
- ▶ Our team is supplemented with technical and audit quality specialists. We have a Quality and Risk Management team responsible for managing, reviewing and communicating on Quality Assurance policies, procedures, controls and reviews. We use these mechanisms to ensure that we manage internal and external work to a high standard.
- ▶ Our well-established quality control procedures and systems support compliance with relevant standards and regulations.

Audit quality cornerstones

A key driver of audit quality is our focus on the component parts required to consistently achieve robust assurance.

We summarise below our four cornerstones of audit quality which underpin our audits:

Access management

- ▶ User access provisioning
- ▶ Excessive Access
- ▶ Generic accounts and Privilege access
- ▶ User access de-provisioning
- ▶ User access review

Program changes

- ▶ Change evaluation
- ▶ Change authorization
- ▶ Existence of different environments
- ▶ Segregation of duties.

Data processing management

- ▶ Completeness and accuracy of data movement
- ▶ Modification of schedules and jobs
- ▶ Exception handling workflow in case of job/interface failure

Program development

- ▶ - Governance over system change, including evaluation of design and testing of controls in the new environment
- ▶ Data migration

Key ITGC domains



AQR results 2021/22 for corporate audits - An Overview

Introduction

- ▶ Table Of Contents
- ▶ Introduction
- ▶ Executive summary
- ▶ Audit scope and objectives
- ▶ Overview of risks
- ▶ Matters for further discussion
- ▶ Understanding IT environment
- ▶ Appendices contents
- AQR results 2020/21- An Overview

Overview

The FRC released their Audit Quality Review results for the seven largest accountancy firms in July 2022 for the review period 2021/22. A copy of all of the reports can be found on the [FRC website](#).

Firm's Results

In total, twelve of BDO's audits with year ends between June 2020 and March 2021 were reviewed.

The AQR found that:

- ▶ Seven were deemed good with limited improvements required (grades 1 and 2)
- ▶ One required improvements (grade 3)
- ▶ Four required significant improvements (grade 4).

Our Response

Ensuring we consistently deliver high-quality audits is our top priority. We are disappointed this year's grades do not meet the standards expected by the regulator and our Leadership Team, and will continue to work hard to fully address the FRC's findings.

We have made significant investments in resourcing our audit practice over the last year, including the addition of 350 people to take our overall UK audit team headcount to 2,800. Further investments in audit quality initiatives include recent enhancements to our methodologies and technology. However, these actions take time to embed, and are therefore not reflected in this year's reviews.

Our entire audit practice remains focussed on being able to demonstrate sustained quality improvements over the coming years to restore our leading position in the AQR rankings.

Investment in Audit Quality

As part of our commitment to audit quality, we are investing heavily. This has included the following:

- ▶ Significant recruitment (14% increase headcount in the past year) and appointment of a Head of Resourcing partner who sits on the Audit Executive
- ▶ Significant expansion of our central audit quality and technical support functions, alongside expansion of our Root Cause Analysis (RCA) function, recruiting three additional partners within the Audit Quality Directorate (including a partner to lead the newly established Audit Quality Improvement Team ("AQIT") and a partner focused on root cause analysis) and other senior individuals across these areas. £8m has been allocated to fund this recruitment, and there has already been an expansion in excess of 30% in our audit quality and technical support function.
- ▶ Our Technology Risk Assurance Team ("TRA") has been strengthened with four additional partners and a 25% expansion in the team, as the initial phase of a significant investment project.
- ▶ Investment in 20 new partners within the audit stream, including sector specialists, and around 300 additional professional roles within the audit stream

All of the Pension Fund audit senior team have already taken part in our activities to drive audit quality, having attended our Audit Summer School programme, which is mandatory training for all audit employees and partners. The Summer School covers training on the findings from the FRC, such as driving consistent and effective challenge of management.



AQR results 2021/22- Audit quality plan

Driving audit quality - our strategic priority

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- Appendices contents
- AQR results 2020/21- An Overview

Audit Quality Plan

Our AQP is underpinned by seven key 'building blocks' to support consistent high quality audits. These are reinforced by our four audit quality risk areas (four 'Big Rocks') which form key focus areas for audit quality action plans to drive consistent high quality. Our strategic priorities within the AQP are controlled growth, investment in central audit quality support infrastructure, enhancements to methodologies and guidance and fostering a culture of challenge and scepticism.

Building Blocks of Audit Quality

The building blocks to sustain audit quality are the themes identified by the Audit Executive as being areas which are critical to achieving our commitment to consistent high quality audits.

Culture of challenge

The right work by the right people at the right time

Resource led responsible & sustainable growth

Central audit quality support

Highly effective training and development

Committed to technology and digital innovation

Focus on horizon scanning

Continuous improvement

4 Big Rocks

When not audited robustly the Big Rocks pose the most significant threat of corporate failure and reputational damage to BDO.

01



Audit of revenue

01



Effective challenge of management

03



Going concern and viability

03



Detecting material fraud



AQR results 2021/22- An Overview

Summary of the key elements of our response to firm-wide findings

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- Appendices contents
- AQR results 2020/21- An Overview

In response to the FRC's AQR findings at a firm-wide level, we have taken the following actions:

Firm-wide

Audit Quality Initiatives:

- Undertaken a full review of and enhanced our AQP
- Invested in resourcing, increasing the size and capability of our Technical Team and central support functions, with £8m allocated to fund this
- Strengthened formality of oversight - Head of Audit Quality reports progress against the AQP and we have revised our executive and governance bodies
- Emphasised our commitment to highly controlled growth with 5 Year National Audit Stream Revenue and Resourcing Plans, with central monitoring. To support this, we have implemented a critical analysis of the firm's existing a portfolio and established a new tender approval platform to control the volume and shape of our portfolio growth
- Implemented enhanced portfolio review procedures, including review of all public interest audits with targeted allocation of central audit quality support
- Continued to reform the performance review process for our people to strengthen the linkage between audit quality behaviours, recognition and reward.

Monitoring - Internal quality monitoring:

- Review of internal quality assurance review process conducted by the Audit Executive to enhance internal quality assurance monitoring
- Updated guidance for reviews of high risk and complex areas as part of those internal quality assurance reviews
- We have commenced a review of AQR inspection findings and resultant gradings in respect of PIE audits to evaluate whether the difference in results between the external inspection population and wider internal inspection population indicates further revisions to enhance the effectiveness of the AQR process are required. Additional root cause analysis will be undertaken as necessary following conclusion of the initial review.

Root Cause Analysis ("RCA") process:

- Undertaken a review of the RCA function, including enhancements to the framework for identifying casual factor themes and reporting to drive audit quality action plans in the AQP.
- Recruited a partner to lead the RCA function, together with investment in dedicated resourcing.
- Monthly reporting on RCA findings to the Audit Executive and Leadership Team.

Engagement Performance - EQCR, consultations and audit documentation:

- Review of the EQCR function has been undertaken considering the allocation, training and performance thereof and key proposals have been approved by the Audit Executive which are to be implemented in FY23
- We will implement controls to ensure that report release dates are recorded accurately and that there are no completed engagements without a report release date being entered in the audit tool.

Implementation of the FRC's Revised Ethical Standard (2019):

- Enhanced procedures regarding documentation of Objective Reasonably and Informed Third Party (ORITP) test
- Annual ethics training included dedicated module addressing application of the ORITP test
- Enhanced guidance for network firms and non-network firms involved as component auditors providing minimum expected procedures
- Training sessions delivered to the audit practice.

Audit methodology:

- Initiated a comprehensive review of audit methodologies, policies and procedures
- Developed new audit guidance in relation to IFRS 13 in 2021
- A project is underway to enhance and expand this guidance further in 2022 as well as IFRS 9 and the payments process, particularly in their application to audits in the financial services sector
- Recruited an additional banking partner who specialises in IFRS 9.

AQR results 2021/22- An Overview (continued)

Summary of the key elements of our response to engagement level findings

- Table Of Contents
- Introduction
- Executive summary
- Audit scope and objectives
- Overview of risks
- Matters for further discussion
- Understanding IT environment
- Appendices contents
- AQR results 2020/21- An Overview

In response to the FRC's AQR findings at an engagement level, we have taken the following actions:

Engagement level

Audit of Revenue:

- Established a new approach to the audit of revenue based on the revised ISA (UK) 315, detailed end-to-end understanding of revenue streams and the use of 'What Could Go Wrong' analysis for all December 2021 year ends onwards. This was supplemented with sector-based case studies for engagement teams focused on application guidance and best practice examples
- Reviewed and enhanced audit methodologies and support materials in key areas including the audit of long-term contracts and are continuing to enhance those in the financial services sector
- The enhanced methodology and requirements for the audit of revenue was supported by a mandatory training day for the audit stream and further embedded through training in the 2022 Summer School
- Established a Revenue Centre of Excellence, expanded central review teams and methodology support for engagement teams
- Expanded our Technology Risk Team by c25%, including recruitment of new partners
- We are developing guidance and materials for each sector to drive detailed understanding of revenue systems and tailored audit strategies, together with a 'controls and digital first' mindset.

Scepticism and challenge in key areas of judgement:

- Embedding the BDO Professional Judgement Framework within our APT tool, practice aids materials and behavioural based coaching, which supports effective challenge of management
- We are developing a National Audit People and Culture Program, including 'encouraging and supporting a culture of challenge' as a key pillar
- Developing guidance and practice aids to support the audit of forecasts and uncertainty which includes impairment, deferred tax assets, going concern and provisions
- We have engaged external data providers to provide ready access to data and information to support challenge of management forecast assumptions.

Audit work on financial services entities:

- Recruitment of additional specialist banking and insurance partners and investment in the financial services team
- Developed new audit guidance in relation to IFRS 13 in 2021
- A project is underway to enhance and expand this guidance further in 2022 as well as IFRS 9 and the payments process, particularly in their application to audits in the financial services sector
- Enhancing audit of revenue methodologies and support materials in the financial services sector.

Audit testing over journals in response to the risk of management override of controls:

- Developed a policy for involvement of forensics at the audit outset to identify fraud risk factors and responses, supported by expansion of the specialist audit support function within our forensics practice
- Implemented policies that enhance central methodology and specialist support when fraud is identified at a client (auditor or management identified fraud)
- Delivered in-depth training to IT assurance specialists
- Summer School 2022 had a focus on the four principle areas of the AQP including detecting material fraud.

Independence assessments:

- Introduced a new consultation memorandum for consultation with the Ethics Team for PIEs and OEPIs to drive consistent capturing of independence considerations.

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 company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Agenda item 5
AGS/24/22

Report title: Update on the 2020/21 and 2021/22 external audits of the Council and Essex Pension Fund	
Report to: Audit, Governance and Standards Committee	
Report author: Nicole Wood, Executive Director, Corporate Services	
Date of meeting: 31 October 2022	For: Noting
Enquiries to: Nicole Wood, Executive Director, Corporate Services (nicole.wood@essex.gov.uk) or Christine Golding, Chief Accountant (christine.golding@essex.gov.uk)	
Divisions affected: All Essex	

1. Everyone's Essex

- 1.1 The Audit, Governance and Standards Committee has responsibility for approving the Council's Annual Statement of Accounts and for receiving and considering related reports issued by the Council's External Auditor.
- 1.2 The purpose of this report is to present an update by the Council's External Auditor, BDO LLP (BDO) (as appended), on the status of the external audits for the 2020/21 and 2021/22 financial years (comprising the work necessary to provide audit opinions on the financial statements of the Council and Essex Pension Fund and to provide commentary on the effectiveness of the systems in place to secure value for money in the Council's use of resources).

2. Recommendations

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

3. Background

- 3.1 The Council is required by Regulation to:
- Produce draft accounts, and present them for external audit, by a specified date each year.

- Make the draft Statement of Accounts available for a period of 30 working days, during which time the public have the right to raise objections, inspect the accounts and question the Local Auditor.
- Formally publish its accounts by a specified date each year.

3.2 Statutory regulations require these activities to be undertaken in accordance with the following timetable:

	2020/21 Accounts	2021/22 Accounts
Produce the draft Statement of Accounts and present them for external audit	31 July 2021	31 July 2022
Make the draft accounts available for public inspection for a period of 30 working days	To commence no later than 1 August 2021	To commence no later than 1 August 2022
Publish final, audited accounts	30 September 2021	30 November 2022

4. 2020/21 external audit

- 4.1 The draft (unaudited) Statement of Accounts for 2020/21 was presented to the Audit, Governance and Standards Committee on **28 June 2021 (AGS/13/21)**, one month ahead of that year's statutory deadline for production of the draft accounts. The Executive Director, Corporate Services certified the draft Statement of Accounts on **30 June 2021** and released the Accounts for external audit and for public inspection on **1 July 2021**.
- 4.2 For reasons already well reported to the Committee, it has not yet proved possible for BDO to finalise the 2020/21 audit, although BDO did present draft audit completion reports to the Committee on **21 March 2022** for both the Council (**AGS/12/22**) and Essex Pension Fund (**AGS/11/22**).
- 4.3 BDO explain, in the appended report, that they now anticipate being able to draw the 2020/21 audit to conclusion in January 2023 (i.e. subject to there being national resolution on the infrastructure 'issue' by December 2022). If this proves possible, it will mean that the Committee can consider any matters raised by the External Auditor in their final Audit Completion Reports and approve the updated draft of the 2020/21 Statement of Accounts at its meeting in **January 2023**.

5. 2021/22 external audit

- 5.1 In relation to the 2021/22 financial year, the draft (unaudited) Statement of Accounts was presented to the Audit, Governance and Standards Committee on **25 July 2022 (AGS/21/22)**. The draft Statement of Accounts was released for external audit and for public inspection on **1 August 2022**.

5.2 BDO report that they have largely completed their fieldwork related to their external audit of the Essex Pension Fund, and that they expect to undertake their fieldwork related to their audit of the Council in the run up to Christmas 2022, with their quality review processes taking place in January 2023.

5.3 BDO anticipate being able to complete their 2021/22 audit in time to present their findings to the Committee on or before **27 March 2023**.

6. Policy context and Outcomes Framework

6.1 The annual Statement of Accounts summarise the financial performance and financial position for the Council at the end of each financial year. As such, the Accounts provide a financial representation of activities against the corporate plan.

7. Financial Implications

7.1 As previously reported, it has been necessary to retain ongoing access to the former 'TCS' corporate systems for the purpose of seeing out the 2020/21 audit. TCS was due to be de-commissioned following 'go live' of the 'My Oracle' Corporate System in October 2021.

7.2 The cost of retaining access to this system has amounted to circa **£330,000** so far, but access to the system has now been secured for a further twelve months, at a reduced fee of **£4,000** per month.

8. Legal Implications

7.1 The Council is required to produce annual accounts in accordance with the Accounts and Audit Regulations 2015 as currently amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The Council is also required to produce an annual governance statement.

9. Staffing and other resource implications

9.1 It has proved challenging to support the 2020/21 external audit over such a prolonged period, and it may also be difficult to support the 2021/22 external audit, given that much of the audit fieldwork will be undertaken much later in the current financial year than would usually be the case.

9.2 Officers will nevertheless endeavour to support the external auditor to achieve the target dates for completion of the 2020/21 and 2021/22 audits.

10. List of appendices

- 10.1 **Appendix A** – Report by BDO LLP on the status of the audits of the Council and Essex Pension Fund for the 2020/21 and 2021/22 financial years.

11. List of Background Papers

- 11.1 Previous related reports to the Audit, Governance and Standards Committee:
- Draft Statement of Accounts and Annual Governance Statement 2020/21 (**28 June 2021 – AGS/13/21**).
 - Delay to completion of the External Audit of the Council's 2020/21 Statement of Accounts (**27 September 2021 - AGS/18/21**).
 - Further delay to completion of the external audit of the Council's 2020/21 Statement of Accounts (**13 December 2021 - AGS/23/21**).
 - 2020/21 draft Audit Completion Report for the Essex Pension Fund (**21 March 2022 - AGS/11/22**).
 - 2020/21 draft Audit Completion Report for Essex County Council (**21 March 2022 - AGS/12/22**).
 - Update on the 2021/22 Accounts and External Audit (**27 June 2022 – AGS/14/22**).
 - Draft Statement of Accounts and Annual Governance Statement 2021/22 (**25 July 2022 – AGS/21/22**).

Update on 2020/21 and 2021/22 audits

The purpose of this note is to update the Audit, Governance and Standards Committee on the progress of the 2020/21 and 2021/22 audits.

We will also be available to answer any questions Members might have on the state of the wider public sector audit market and issues being faced.

2020/21

Work on finalising the 2020/21 audits of the main Council's accounts and of the Pension Fund was suspended during the NHS audit period. This has now recommenced, albeit later than planned due to a number of significantly overrunning audits including, critically, ones involving Essex County's senior audit team.

The key outstanding issues are:

- Completion of quality review processes:
 - Residual Manager and Engagement Lead review processes
 - Final technical and External Quality Control Review sign-offs
- Resolution of the infrastructure issue:
 - Amendment to the CIPFA/LASAAC Code to remove the need to report gross cost and gross accumulated depreciation in notes to the Statement of Accounts. We are currently awaiting finalisation and approval of proposed amendments, specifically approval from the Financial Reporting Advisory Board (FRAB).
 - Statutory Instrument (SI) drafting and agreement by DLUHC to address issues relating to the net carrying value of Infrastructure issues. There has not yet been any national communication from DLUHC on the progress in drafting this or the anticipated timeline.
 - Our current expectation is that the position relating to Infrastructure will be resolved to enable completion in early New Year - whether this is the target no qualifications solution or, if the DLUHC SI does not adequately address all necessary audit concerns, a residual qualification relating to that.
- Use of Resources:
 - Completion of "New" NAO Code work, including consideration of matters referred to us relating to South East Local Enterprise Partnership (SELEP), for which Essex is the "host" authority, but relating to issues alleged to have taken place in the East Sussex area.
 - The new approach will consider the areas previously focused on as "significant risks" under the previous Code, so financial sustainability, but will cover arrangements for other areas in greater detail than historically has been the case, as well as the new area of focus on "improving value for money"

We anticipate the various elements, particularly infrastructure, will conclude in the first half of January 2023.



2021/22

Work on the main Council and Pension Fund audits has commenced, with initial focus on the Pension Fund given the reliance on some of that work placed by auditors of member bodies (for example, other Essex District and Unitary Councils, Essex Police, Care Quality Commission, and some other entities).

Pension Fund audit

- Audit Planning Report on this AGSC agenda
- Fieldwork is coming to a close, but then will be subject to quality review processes
- Anticipating issue of Letters of Assurance in November 2022
- Opinion still cannot be issued separately from the main Council's because the Pension Fund accounts form part of the overall Statement of Accounts, and so are concluded on and published together as a single document.

Main Council audit

- Planning work started on 17 October 2022
- We propose bringing our Audit Planning Report to the 28 November 2022 meeting of the Audit, Governance and Standards Committee
- Fieldwork is currently booked through to Christmas
- Quality review processes will be undertaken through January 2023
- We anticipate covering the 2021/22 Use of Resources work alongside the 2020/21 work, updating base arrangements as necessary between years, so that this element does not unduly delay finalising the audit
- Completion is currently aiming for the 27 March 2023 meeting of the Audit, Governance and Standards Committee, or potentially earlier

David Eagles, Partner and Engagement Lead
For and on behalf of **BDO LLP**, Appointed Auditor

17 October 2022

Report title: Update on the national scheme for local auditor appointments	
Report to Audit, Governance and Standards Committee	
Report author: Nicole Wood, Executive Director, Corporate Services	
Date of meeting: 31 October 2022	For: Noting
Enquiries to Nicole Wood, Executive Director, Corporate Services email nicole.wood@essex.gov.uk or Christine Golding, Chief Accountant email christine.golding@essex.gov.uk	
Divisions affected: All Essex	

1 Everyone's Essex

- 1.1 The Audit, Governance and Standards Committee has responsibility for all matters related to the appointment of the Council's external auditor.
- 1.2 The purpose of this report is to update the Committee on the progress of Public Sector Auditor Appointments Ltd (PSAA) in awarding the external audit contracts due to start from 1 April 2023.

2 Recommendations

- 2.1 None – the report is for information only.

3 Background

- 3.1 On the recommendation of this Committee (**AGS/01/22**), full Council agreed, on **10 February 2022**, that the Council should opt into the Public Sector Auditor Appointments Ltd (PSAA) national scheme for auditor appointments for external audit contracts commencing on 1 April 2023 (and covering the audit of accounts for the financial years 2023/24 to 2027/28).
- 3.2 The deadline for opting into the national appointing scheme was **11 March 2022**. By the deadline, **99%** of eligible bodies (**470** out of **475**) opted into the national appointing scheme. Eligible bodies include local authorities, combined authorities, police and fire bodies, national parks, passenger transport executives, waste authorities and functional bodies.
- 3.3 On 3 October 2022, the PSAA announced the outcome of its procurement of audit services for the **470** eligible bodies opted into its national scheme for the next appointing period.

- 3.4 The procurement took place against the challenging backcloth of a troubled audit profession, a turbulent market and a local audit system that is facing unprecedented difficulties, including large volumes of delayed audit opinions.
- 3.5 Only ten audit suppliers are currently registered to undertake local audits in England, three of which opted not to take part in the PSAA procurement for audit contracts commencing on 1 April 2023. Those not taking part included BDO LLP, the Council's current appointed auditor.
- 3.6 The PSAA has offered contracts to six suppliers. The scale of the contracts varies widely depending upon the capacity which each supplier is able to provide.
- 3.7 From 2023/24 the respective shares of the audits of opted-in bodies will be as follows:

	Share of PSAA's work
Grant Thornton	36.00%
Mazars	22.50%
Ernst & Young	20.00%
KPMG	14.00%
Bishop Fleming	3.75%
Azets Audit Services	3.25%

- 3.8 It is understood that the PSAA aims to confirm the appointment of named audit firms to each eligible body by **31 December 2022**.
- 3.9 The bid prices that the PSAA received in this procurement reflects a significant increase compared to its previous procurement in 2017. The audit industry has faced major challenges in the intervening period. In addition, local audit faces several distinctive difficulties which have resulted in a less competitive market.
- 3.10 PSAA will consult, in Autumn 2023, on the proposed scale of audit fees payable by bodies in respect of the audit of 2023/24 accounts. However, at this stage, the PSAA is advising bodies is to anticipate a major re-set of total fees for 2023/24 involving an **increase** of the order of **150%** on the total fees for 2022/23. The actual total fees will depend on the amount of work required.
- 3.11 The PSAA appreciates that the extent of this likely increase in audit fees will pose a significant funding challenge for local bodies already facing a daunting range of financial pressures. The PSAA has therefore raised this concern with the Department for Levelling up, Housing and Communities (DLUHC) for consideration.

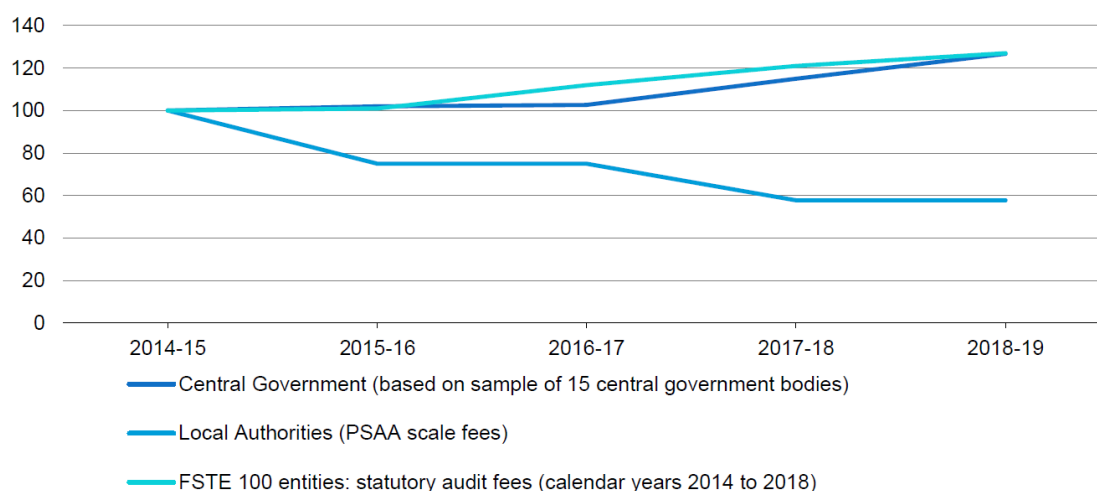
4 Policy context and Outcomes Framework

- 4.1 The external audit of the Council and Essex Pension Fund annual financial statements, and of the Council's arrangements to secure value for money (VFM) in its use of resources, provides assurance that taxpayers and pension funds have been well managed and properly accounted for; this is one of the cornerstones of public accountability.

5 Financial Implications

- 5.1 In September 2020, Sir Tony Redmond published the findings of a review into the transparency and quality of statutory audits of local authorities in England. One aspect of this review was to consider audit fees. Audit fees in the local authority sector had dropped significantly since the Audit Commission was abolished, while audit fees in other sectors had risen.

Sector by sector comparison of change in audit fees over time



Sir Tony Redmond concluded that audit fees would need to increase by between **15% to 25%** to ensure that audit quality requirements could continue to be satisfied.

- 5.2 The major reset of fees announced by the PSAA, involving an increase of the order of **150%** on the total fees for 2022/23, far exceeds the increases anticipated by Sir Tony Redmond.

- 5.3 The PSAA has recently consulted on the audit fees for the 2022/23 financial year. On the basis of this consultation, the fees for that year are expected to be built up as follows:

		Essex County Council	Essex Pension Fund
	A. Fee scale set for 2021/22	£126,265	£24,075
+	B. Fee variations for recurrent requirements in 2019/20 audits	£8,155	£3,925
+	C. Fee variations for recurrent requirements in 2020/21 audits	£TBC	£TBC
+	D. Adjustment for inflation (5.2%) (see note below)	£6,600	£1,300
+	E. Additional fees for VFM and other known auditor requirements	In the region of £22,800	In the region of £1,900
=	F. Fees for 2022/23	In the region of £163,820	In the region of £31,200

Note:

The PSAA expects to absorb the inflationary uplift in 2022/23 from its own surpluses in 2022/23, but it is assumed that this uplift will be passed on to local bodies with effect from 2023/24.

- 5.4 It is therefore possible that the annual fees payable from 2023/23 will be in the region of **£410,000** per annum for the Council and **£78,000** per annum for the Essex Pension Fund. These estimates are based on what we currently know though, so it is possible that the fees payable from 2023/24 could exceed these estimates. Any increase in audit fees above the current baseline (as shown above) would represent a new pressure for the Council that would increase its forecast budget gap for 2023/24 and later years.

6 Legal Implications

- 6.1 As the Council has opted into the statutory scheme for appointment of external auditors, ECC's auditor will be determined by Public Sector Audit Appointments Limited. Whilst the Council is likely to be consulted by PSAA it will have to accept whoever is appointed and it will have to pay the fees.

7 Appendices

- 7.1 **Appendix A:** Pen picture of successful audit firms

8 List of Background Papers

- 8.1 Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (Redmond Review):
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf
- 8.2 Report to the Audit, Governance and Standards Committee on **13 December 2021** on the National scheme for local auditor appointments (**AGS/24/21**).
- 8.3 Report to the Audit, Governance and Standards Committee on **31 January 2022** on the national scheme for local auditor appointments (**AGS/01/22**).
- 8.4 PSAA press release: PSAA Announcement of Procurement Outcome:
<https://www.psaa.co.uk/2022/10/press-release-psaa-announcement-of-procurement-outcome/>

Appendix A – Pen picture of the successful firms

Audit Firm	Pen picture
Azets Audit Services	<p>Azets is a UK top 10 audit, accounting and business advisory firm.</p> <p>The firm provides external audit, internal audit and other assurance services across the public sector and has extensive experience of auditing large Scottish councils on behalf of the Accounts Commission.</p> <p>While the firm operates from around 80 local offices spread across the UK, it delivers public sector audit using specialist teams in selected locations in the North, Midlands and London.</p>
Bishop Fleming LLP	<p>Bishop Fleming is a top 30 UK accountancy firm, providing audit, accountancy, tax and business consultancy services to both the public and private sectors.</p> <p>Bishop Fleming has extensive experience working with public sector organisations in the housing, education, charity and healthcare sectors along with a number of local authority subsidiaries.</p> <p>Their public sector audit team is led by two ICAEW registered key audit partners, both having previous experience of providing external audit services to local authorities.</p> <p>Bishop Fleming have 37 partners and around 500 staff working from 7 offices across the South West and West Midlands, who are committed to delivering the very best client experience.</p>
EY LLP	<p>Ernst & Young LLP (EY) is a multinational professional services firm with 312,000 employees based in over 150 countries worldwide.</p> <p>They provide consulting, law, strategy, tax and transactions services, and are one of the “Big Four” professional services firms.</p> <p>EY employs around 17,000 people in the UK. There are 240 staff including 14 Key Audit Partners who currently work full-time in the Government and Public Sector assurance services team, who are also able to draw from an extensive pool of specialists.</p>
Grant Thornton UK LLP	<p>Grant Thornton UK is delighted to have been reappointed as the largest supplier of local government audit.</p> <p>The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.</p> <p>Our UK Public Sector Assurance team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and Value for Money.</p> <p>The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100</p>

Audit Firm	Pen picture
	<p>health bodies.</p> <p>The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.</p>
KPMG LLP	<p>One of the 'Big Four' audit firms, KPMG operates in over 100 countries with over 230,000 employees providing audit, assurance, tax, consulting and advisory services to the public and private sectors. KPMG employees around 16,000 people in the UK.</p> <p>Within the public sector they have 14 active Key Audit Partners supported by a team of 100 staff and a range of specialists.</p> <p>KPMG undertakes a range of other public sector audit work including Local Audits in the NHS, central and local government audit work on behalf of NAO and Audit Scotland and a range of external audits in the education and social housing sectors.</p> <p>Prior to 2018, KPMG were appointed auditors to a range of local government bodies through previous audit procurement exercises.</p>
Mazars LLP	<p>Mazars is a large global audit and accounting firm with over 28,000 professionals in 90 countries and territories worldwide.</p> <p>In the UK the firm ranks in the top ten with 2,500 employees and 140 partners working out of 15 offices, and UK fee income in 2021 of £234m.</p> <p>The firm's dedicated public audit team has significant experience in providing external audit to public sector bodies. It comprises individuals with experience of auditing councils, combined authorities, police bodies, fire and rescue authorities, local government pension funds and other public bodies.</p> <p>In addition to its audit contract with PSAA, the firm provides services to Audit Scotland and has a substantial portfolio of NHS audits and is one of the National Audit Office's framework suppliers for central government audit.</p>

Source: PSAA

Report title: Internal Audit and Counter Fraud Progress Report	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes, Head of Assurance	
Date: 31 October 2022	For: Note
Enquiries to: Paula Clowes, Head of Assurance paula.clowes@essex.gov.uk	
County Divisions affected: All Essex	

1. Everyone's Essex

- 1.1 The Audit Governance and Standards Committee has a role to maintain oversight and to monitor the effectiveness of internal controls, governance and risk management arrangements as well as the work of Internal Audit and Counter Fraud.
- 1.2 This report provides the Committee with the current position regarding activity in relation to the 2022/23 Internal Audit and Counter Fraud Plan (approved by the Audit, Governance and Standards Committee in March 2022). It reflects the situation as of 31 August 2022.
- 1.3 As part of the Committee's role to assess the adequacy of the Council's internal control environment, the Committee also receives regular updates on progress being made by service areas on whether timely and effective remedial action is being taken to resolve any significant control weaknesses that have been identified through our Internal Audit work.
- 1.4 The activity undertaken by Internal Audit and Counter Fraud in 2022/23, together with the work of other assurance providers, contributes to the Chief Audit Executive's overall annual opinion on the Council's systems of control for inclusion within the 2022/23 Annual Governance Statement.
- 1.5 The full Internal Audit and Counter Fraud report is attached at Appendix A.

2. Recommendations

- 2.1 The progress in audit and counter fraud activity be noted.

3. Background

- 3.1 The full Internal Audit and Counter Fraud report is attached at appendix A. The following matters are of particular note:
 - No audits received No Assurance or Limited Assurance
 - 3 audits received a Good Assurance rating.

- 17 audits have received a 'Satisfactory Assurance' rating.
- Two follow-up Audits were found to have made reasonable progress.
- As at 31 August 2022 there were no Critical, 17 Major and 94 Moderate recommendations open. 65 recommendations have been reported as having been implemented so far during 2022/23.
- The total number of fraud referrals received to date for the 2022/23 year is 105.
- During this period the work of the Counter Fraud team has resulted in the recovery of £180,979.87 with a further £135,291.23 in recovery.

3.2 The report also sets out the major recommendations which are overdue/overdue an update.

4. Links to our Strategic Ambitions

4.1 Internal Audit and Counter Fraud activity is critical in ensuring that the Council successfully mitigates its risks in all areas of work and that the public purse is protected to ensure that available resources reach those most in need. This report therefore links to the following aims in the Essex Vision.

- Enjoy life into old age
- Provide an equal foundation for every child
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

4.2 This report links to the following strategic priorities in the Organisational Strategy 'Everyone's Essex':

- A strong, inclusive and sustainable economy
- A high quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow

5. Financial implications

5.1 There are no financial implications as the Internal Audit and Counter Fraud activity 2022/23 will be met within existing resources.

6. Legal implications

6.1 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.

- 6.2 The Accounts and Audit Regulations 2015 require the authority to have adequate systems of internal control and internal audit is a way of demonstrating this.

7. Equality and Diversity Considerations

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
 - (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.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The equality impact assessment indicates that this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8 List of Appendices

Appendix A - Internal Audit and Counter Fraud Progress Report April 2022 – August 2022.

9 List of Background papers

Internal Audit reports



Internal Audit & Counter Fraud Progress Report April 2022 – August 2022

Introduction

The Audit Governance and Standards Committee has a role to maintain oversight and to monitor the effectiveness of internal controls, governance and risk management arrangements as well as the work of Internal Audit and Counter Fraud.

This report provides the Committee with the current position regarding activity in relation to the 2022/23 Internal Audit and Counter Fraud Plan (approved by the Audit, Governance and Standards Committee in March 2022). It reflects the situation as of 31 August 2022.

As part of the Committee's role to assess the adequacy of the Council's internal control environment, the Committee also receives regular updates on progress being made by service areas on whether timely and effective remedial action is being taken to resolve any significant control weaknesses that have been identified through our Internal Audit work.

The activity undertaken by Internal Audit and Counter Fraud in 2022/23, together with the work of other assurance providers, contributes to the Chief Audit Executive's overall annual opinion on the Council's systems of control for inclusion within the 2022/23 Annual Governance Statement.

Internal Audit Activity

Final Internal Audit Reports Issued

When Internal Audit issues a report it gives an overall assurance rating which is either 'Good' 'Satisfactory' 'Limited' or 'No' Assurance. Recommendations are graded as Critical, Major Moderate or Low. **Twenty-five** final reports have been issued since the March 2022 Audit, Governance and Standards Committee as detailed in the Table below:

Assurance Rating	Audit Title	Recommendations Made			
		Critical	Major	Moderate	Low
Good	Essex Pension Fund – Administration	0	0	0	0
Good	Essex Pension Fund – Funding and Investment	0	0	0	0
Good	Accounts Payable	0	0	0	1
Satisfactory	Essex Housing	0	0	2	1
Satisfactory	Capital Programme	0	0	4	0
Satisfactory	Sourcing	0	0	3	0
Satisfactory	Contract Management	0	0	3	0
Satisfactory	Journals and Virements	0	0	1	1
Satisfactory	Payroll	0	0	1	0
Satisfactory	Banking and Cash	0	0	3	2
Satisfactory	Budgetary Control	0	0	3	0
Satisfactory	Expenses	0	0	1	1
Satisfactory	Accounts Receivable (AR)	0	1	5	1
Satisfactory	Essex Social Care Academy (ESCA)	0	0	2	4
Satisfactory	Housing Infrastructure Fund (HIF)	0	1	4	1
Satisfactory	Information Governance	0	0	3	1
Satisfactory	3x School Establishment Reviews	N/A	N/A	N/A	N/A
Satisfactory	School Information Regulation Compliance	N/A	N/A	N/A	N/A
Reasonable Progress	Energy Invoice Processes – Follow Up	N/A	N/A	N/A	N/A
Reasonable Progress	ASC Debt – Follow Up	N/A	N/A	N/A	N/A
N/A	Risk Management	<i>No assurance opinions – advisory / consultative approach.</i>			
N/A	Care Technology – Early Assurance				
N/A	Health and Safety – Lone Working				

Full Internal Audit reports can be provided to Committee Members upon request.

Limited Assurance Reviews – Executive Summary

No Limited Opinion reports have been issued in the period.

Grant Claims

We have completed a review of the following **grant claims**:

- BLUEPRINT – Interreg (European funded project led by Essex County Council to help local authorities move to a circular economy by the efficient use of resources when manufacturing products)
- South East Local Enterprise Partnership (SELEP) Growth Hub Core Funding
- EMPOWER – Empowering the citizens – Towards European Energy Market 2.0 (Enabling More People's Ownership in Energy transition)
- LECSEA - Local Energy Communities for the 2 Seas region
- LOCAL AUTHORITY TEST AND TRACE SERVICE SUPPORT GRANT DETERMINATION 2020/21: No 31/5075
- Covid Outbreak Management Fund (COMF), Grants as per the determination number detailed in the table below:

Grant Determination Reference	Value
31/5219	£4,467,567
31/5244	£7,445,945
31/5304	£4,158,602
31/5341	£5,956,756
31/5411	£4,254,826
31/5411	£1,701,930
31/5456	£7,658,686
31/5518	£7,434,299
TOTAL	£43,078,611

Implementation of Internal Audit Recommendations

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. The current assessment rationale for grading the priority of recommendations made is attached at Appendix 1.

Between 1 April and 31 August 2022, the following number of recommendations have been marked as closed (based on justification received from recommendation owners):

Risk Rating	Number Recorded as Closed between 1 April and 31 August 2022
Critical	1
Major	7
Moderate	57
Total:	65

Critical or Major recommendations which have not been implemented within the agreed timescale are reported to the Audit, Governance and Standards Committee.

As at 31 August 2022 there were **17** Major and **94** Moderate recommendations open. There are no open Critical recommendations.

11 of the open **Major** recommendations are more than one month overdue compared to their latest agreed implementation date. This number is consistent with the number reported in our March 2022 Progress Report.

There are **27 Moderate** recommendations more than six months overdue compared to their latest target date for implementation. This number has increased by ten compared to that reported in March 2022.

We will be running a small project over the next 6 months to review the moderate and major recommendations to ensure that they are still relevant, owned by the correct person or have been implemented but not reported as such.

The open Major recommendations as at 31 August 2022 are detailed in Appendix 2.

Changes to the 2022/2023 Internal Audit and Counter Fraud Plan

There no changes to report in relation to delivery of the Internal Audit and Counter Fraud Plan in 2022/23. We will be using approximately 10 days from our 'Emerging Risks' budget to carry out the review of the outstanding recommendations.

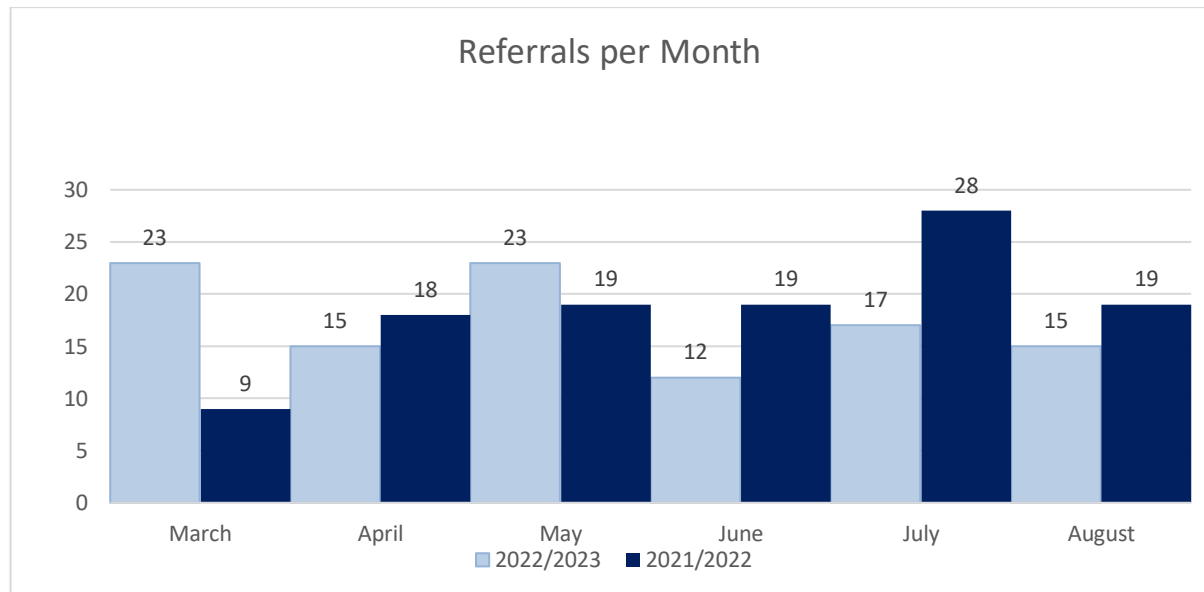
Counter Fraud Activity

The Counter Fraud Team has a remit to prevent, detect and investigate fraud. This includes proactive work utilising data matching and analytical work. In some cases we will pursue sanction through the civil or criminal courts and where possible seek to recover lost/stolen monies.

Fraud Referrals

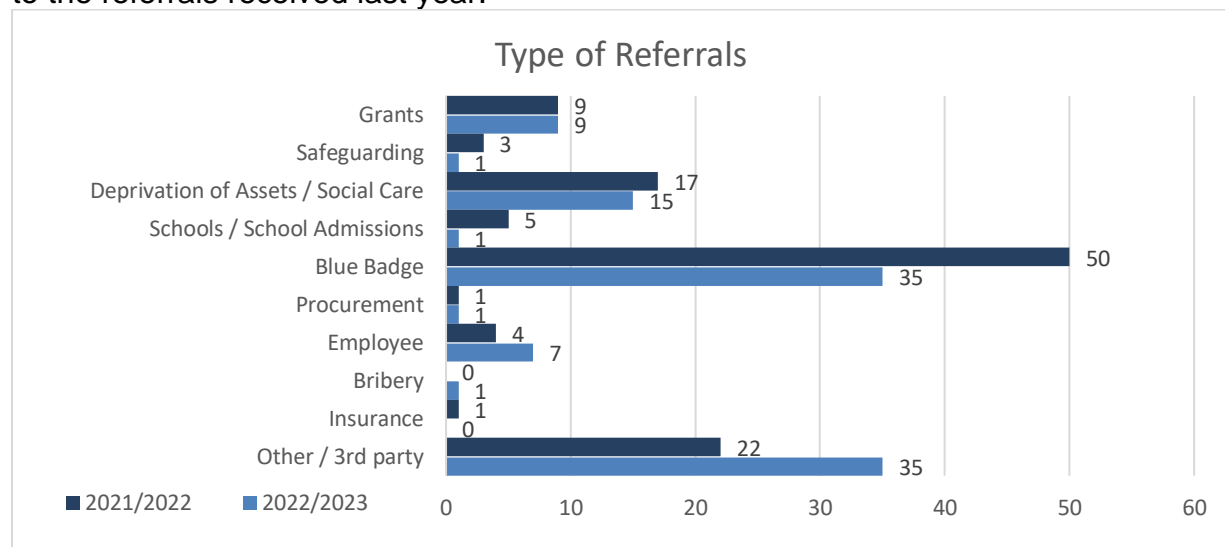
The total number of fraud referrals received to date for the 2022/23 year is **105**. The total referrals received during the same reporting period for 2021/22 (1 March 2021 to 31 August 2022) amounted to **112**. The number of referrals received is consistent

with the numbers received last year, although it is noted that we have seen a decrease in the number of Blue Badge related referrals.



Types of Referrals

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



Proactive Work

Data Matching

The Counter Fraud team includes a Data and Intelligence Specialist. Data matching/ analytical work has been completed during the 3-month period in the following areas:

- Covid funding forwarded to Adult Social Care Providers. An analysis is being completed of the total covid related funding that has been forwarded to providers, per individual provider. A sample of providers has been selected for review and evidence requested to confirm that funding has been spent in accordance with the relevant grant agreements.
- A big focus of work this quarter has been preparing data sets for inclusion in the 2022 NFI exercise (see below).

National Fraud Initiative Data Matching Exercise and NFI Fraud Hub

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. Returned matches have been reviewed and investigated as appropriate.

The next mandatory submission will be in October / November 2022 and will include datasets covering payroll, pensions, social care, payables and blue badges.

In addition to the mandatory data matching, the Counter Fraud Team subscribe to the NFI Fraud Hub. Discretionary data matching is permitted on an ad hoc basis, using the same prescribed data sets as submitted as part of the national exercise.

Data sets relating to Adult Social Care and Pensions were originally uploaded and matched to the mortality listing. These matches have been investigated and where ECC had not been notified of the respective death, records have been updated and further payments have been prevented. This reduces the reputational damage to ECC by us not having to pursue monies paid in error.

Data in relation to ECC Pensions continues to be submitted on a monthly basis and resultant matches sent to the ECC Pension Team for investigation / suspension. Since March 2022, 423 matches have been forwarded to ECC Pensions for their review. All matches have been reviewed and closed down.

To date, savings have been recorded as **£97,271** in relation to pension payments that have been recovered.

Fraud Awareness Training

As at 31 August 2022 the percentage of staff that have completed the recently refreshed e-learning modules relating to the fraud modules are as follows:

- 72.3% - Anti-fraud and corruption
- 72.3% - Anti-bribery and money laundering.

Staff who have not yet completed the modules have been reminded to do so. A system change within HR has meant that reminders have only been issued within the last month.

Additional bespoke training sessions have been completed as follows:

- Understanding Fraud in Adult Social Care (two sessions for the Essex Social Care Academy)

Counter Fraud Outcomes

During the period 1 April 2022 to 31 August 2022, the following outcomes and sanctions have been achieved:

Outcomes	1 April 21 – 31 August 21	1 April 22 – 31 August 22
Prosecutions	1	0
Disciplinary Action	2	1
No Fraud Established	5	13
Referred to third party	0	6
Blue Badge - Misuse Letter Sent	10	3
Blue Badge - Seized	6	7
ASC - Financial Recovery	10	11
ASC - PB terminated/reduced	3	5
Other - Financial Recovery	4	3
Other - Misuse Letters	1	0
Payment Prevented	1	1
Other	5	14

**Other outcomes include:*

- *Referrals to the Deputyship Team where Power of Attorney not in place,*
- *Revision of financial assessments where non-disclosure of assets or deprivation of assets identified,*
- *Additional guidance & support provided where potential misuse of personal budgets.*
- *Additional guidance provided in instances where weaknesses in the control framework have been identified.*

Summary of Current Cases

During the last five-month period, the Counter Fraud team have received referrals relating to potential issues regarding compliance with ECC's recruitment process, attempted bribery of an ECC representative and potential deprivation of asset cases. All cases are in the process of being investigated.

Financial Recoveries

In addition to the savings identified during the data matching exercise, this period, the following financial outcomes have been achieved:

1 April 2022 – 31 August 2022	
ACTUAL - Monies Recovered	180,979.87
ACTUAL - Monies in Recovery	135,291.23
NOTIONAL - Future Losses Prevented	162,833.59
NOTIONAL - Estimated Losses**	40,388.82
TOTAL	519,493.51





The future losses prevented 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).

Notional savings of £4,025 have also been identified as 7 expired blue badges have been taken out of circulation, each badge being attributed a value of £575 (figure determined by the Cabinet Office).

List of Appendices

- Appendix 1 Current assessment rationale for grading the priority of recommendations in Internal Audit reports.
- Appendix 2 Open Major Recommendations.

Appendix 1 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.
Satisfactory	Satisfactory 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

Appendix 2

Open Major Internal Audit Recommendations as at 31 August 2022

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
Business Continuity (1516 COR12)	Third Party Dependencies Validation of key third party suppliers' business continuity (BC) arrangements.	31/12/16	31/03/22	29 April 2022: Met with BC Team on 28 April. Procurement now needs to review proposed changes and feedback to BC on the different approach that has been put forward.	Strategy and Assurance Lead, Procurement	Major
Personal Budgets (Families) (Direct Payments) (1718 C2)	Monitoring and Review Implement a robust process to ensure all cases with Direct Payments are managed effectively, including monitoring of spending.	31/12/18	29/01/21	Director Attended AGS Committee in March to provide full update. Audit Comment: <u>Audit review of Personal Budgets is due Q3/4 2022/23 when we will undertake a full review of progress against this action</u>	Director Local Delivery, Children and Families	Major
Absence Management (1718 COR5)	Notifications to Line Managers/ Management Information on Compliance	30/09/18	31/10/21	18 August 2021: Work on the Corporate Systems Programme continues, with delivery due in October 2021 and this need fed into requirements. In the meantime, reporting of individuals reaching absence triggers is due to be included within monthly People Performance packs starting within Q2 2021/22. Audit Comment: <u>An Audit review of Absence Management is planned for Q4 2022/23 when we will undertake a full review of progress against this action</u>	Head of People Insight and Technology	Major

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
	Completeness of Return-to-Work Action	30/09/18	31/10/21	18 August 2021: The requirements for this have been built into the My Oracle design and are currently undergoing testing. These new features will form part of the My Oracle launch in October 2021. Audit Comment: <u>An Audit review of Absence Management is planned for Q4 2022/23 when we will undertake a full review of progress against this action</u>		Major
Building Security (1920 PPH5)	Partner Organisation Leaver Process	31/08/19	14/05/21	31 August 2022: New Manager / Recommendation owner took over recently. Advised there are longstanding issues with regards to obtaining third party leaver information. A solution has now been identified and new manager is progressing implementation. Audit Comment: Previous Facilities Manager left, and the new post holder has only recently been appointed and allocated this action.	Facilities Manager	Major
Review of Utility Invoice Processes (1920 PPH8)	Energy Profile Audits: In line with the contractual agreement all properties should have an Energy Profile Audit conducted every 12 months and be reported in line with the template provided in the contract.	31/12/20	30/04/22	21 March 2022: A follow up of this audit occurred in the 2021/22 financial year, the final report was issued 21/03/22. Review of Energy Profile Audits is being picked up as part of the wider review of the D2 Specification for Energy as well as ongoing discussions around reporting and streamlining the provision of management information systems to be able to provide this. As this recommendation has not been fully implemented, it remains open. A revised target date for end April 2022 was sought when the follow-up report was finalised.	Procurement Specialist	Major

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
IT Disaster Recovery (2021 F19)	IT Disaster Recovery Testing	30/09/22 (not yet due)	04/11/22 (not yet due)	03 August 2022: Technology Services have successfully recruited a Disaster Recovery and Business Continuity (DR&BC) Manager, who started in post as of the start of July 2022. The primary objectives of the new manager will be to develop the TS DR/BC strategy and to implement a plan and schedule for the testing of all ECC applications, focusing on the Priority 1 applications in the first instance. The DR/BC strategy and testing schedule will be in place by October 2022, with testing commencing as per the schedule from that point onwards.	Head of Technology Operations	Major
	Incomplete Business Impact Analyses (BIA))	21/12/21	30/09/22 (not yet due)	03 August 2022: The newly appointed DR/BC Manager is in the process of developing the DR/BC strategy, and as part of this will be ensuring that there is clarity around all of the applications. As part of this process they will be assessing the BIAs against existing DR arrangements. As part of this in-depth investigation, the DR/BC Manager work with respective functions from across ECC to ensure that a course of action is in place to either treat or tolerate the risk. The DR/BC Manager will also be investigating the terms of the contracts for our major supplier provided services, to ensure that ECC is receiving the DR/BC services that are stated within the terms of the contracts.	Head of Technology Operations	Major
IT Asset Management (2021 FT17)	Hardware Asset Audits	01/09/21	30/06/22	22 August 2022: A follow up review has recently been undertaken (remains in draft). While it was evident that elements of the Service Asset and Configuration Management (SACM) policy are complied with, the entire policy is not currently being adhered to. The	Head of Technology Operations	Major

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
				recommendation remains open but a reduced risk exposure has been noted. Expect full implementation by October 2022.		
	IT Infrastructure Planning	1/01/22	31/08/22 (not yet due)	22 August 2022: A follow up review has recently been undertaken (remains in draft). During the audit it was identified that while work has occurred to establish reporting on the number of devices within the IT estate, such reporting is not currently in place. TS are aware of this action and are looking to establish such reporting before the implementation of Device as a Service (DaaS), which is expected to occur in June 2023 if the Business Case is approved. The recommendation remains open but a reduced risk exposure has been noted.	Head of Technology Operations	Major
	Leavers Not on The Corporate System (TCS) and Inactive Assets	01/09/22 (not yet due)	31/12/22 (not yet due)	22 August 2022: A follow up review has recently been undertaken (remains in draft). Testing evidenced that there are still issues in recovering assets from Non-TCS (now Non-MyOracle) Leavers. The recommendation remains open with plans in place to address the residual risk by the end of December 2022.	Head of Technology Operations	Major
Country Parks (2021 PPH9)	Stocktake and Reconciliations	31/12/21		30 May 2022: Have now offered a preferred candidate the Food & Beverage Manager position with a target start date of 18/07/22. Noted that there had been recruitment difficulties for this position, which delayed full implementation. Audit Comment: An Internal Audit follow-up review of Country Parks is planned for 2022/23.	Commercial Operations Manager	Major
	Absence of a stock write off and stock discounting procedures	31/12/21			Commercial Operations Manager	Major

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
Essex Traveller Unit (2021 PPH6)	Site Management Plan	31/03/22		26 August 2022: A follow up review has recently been undertaken (remains in draft). There is evidence of increased engagement with Councillors, ECC Services, District and Borough Councils, and Heads of Service, which is enhancing the Service's visibility across ECC. As yet, funding decisions have not been agreed. As such, the financial constraints in which the Gypsy & Travellers Service is working are still in place and will determine the future planning for the Service. The recommendation remains open.	Wellbeing, Place and Communities Lead	Major
	Site Risk Assessments	31/10/21		26 August 2022: A follow up review has recently been undertaken (remains in draft). Progress is evident with the implementation of statutory inspections. However, non-statutory inspections remain a work in progress. The recommendation remains open but a reduced risk exposure has been noted.	Wellbeing, Place and Communities Lead	Major
Accounts Receivable (2122 FT12AR)	Advanced Collections Screen	31/12/22 (not yet due)		02 August 2022: A process is in place to continue to chase Evosys to resolve the issue with the Advanced Collections Screen. Once the fix has been applied, and has been tested, MyOracle will be utilised to monitor, manage and chase debt and cease the use of the Excel-based portfolios.	Service Manager, Finance	Major
Housing Infrastructure Fund (HIF) (2122 FT19)	Disconnect between Bid and Delivery	30/09/22 (not yet due)		04 July 2022: Verbal assurance received to suggest that the structure of the Highways and Transportation service now allows for individuals involved in the bidding stage and the delivery stage to better coordinate. Advised that the relevant project	Director Highways & Transport	Major

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
				sponsor is now involved with the bid process to allow them to assess the feasibility of the bid. Once supporting evidence is provided this action can be closed.		

Agenda item 8

AGS/27/22

Report title: Updated Counter Fraud and Corruption Strategy 2022	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes, Head of Assurance	
Date: 31 October 2022	For: Approval
Enquiries to: Paula Clowes, Head of Assurance paula.clowes@essex.gov.uk or Karen Bellamy, Counter Fraud Manager karen.bellamy@essex.gov.uk	
County Divisions affected: All Essex	

1. Everyone's Essex

- 1.1 The Audit Governance and Standards Committee has a role to maintain oversight and to monitor the effectiveness of internal controls, governance and risk management arrangements as well as the work of the Counter Fraud team.
- 1.2 This strategy sets out the provisions that the Council has put in place to protect the public purse, Essex residents and ECC assets and ensure that fraud and corruption both within ECC and perpetrated against ECC are kept to an absolute minimum. In instances where fraud and corruption cannot be prevented, effective measures are taken to ensure that a consistent approach is taken to tackling fraud and error.

2. Recommendations

- 2.1 The Counter Fraud and Corruption Strategy be approved in the form appended to the report.

3. Background

- 3.1 The Council's current Counter Fraud and Corruption Strategy was approved by Audit Governance and Standards Committee in September 2020. It has now been reviewed and updated.
- 3.2 The refreshed Counter Fraud and Corruption Strategy 2022 is attached at appendix 1.
- 3.3 The following changes have been made as part of the review for 2022:
 - Page 3 – Foreward – updated statistics relating to:
 - Annual gross budget – amended from £1.8 billion to £2 billion
 - Employees – updated from 12,000 fte to 9,000 fte
 - Pension payments – updated from £44,682 to £45,000

- Page 7 – updated the link to ECC’S Whistleblowing Policy
- Page 7 – updated the reference and link to the external whistleblowing line, amended from Expolink to Ethics Point
- Page 13 – amended from annual review to biennial review of the Strategy
- Page 13 – updated the link to the Fighting Fraud and Corruption Locally checklist
- Back page – added alternative e-mail contact address for the Counter Fraud Team – cfteam@essex.gov.uk

3.4 It is good practice to review the policy every two years. The next review is therefore due in 2024.

4. Links to our Strategic Ambitions

4.1 A strategic approach to counter-fraud activity is critical in ensuring that the Council successfully mitigates its fraud and corruption risks in all areas of work to ensure vital services continue to be delivered and available resources reach those most in need and the council remains resilient. This report links to the following aims in the Essex Vision.

- Enjoy life into old age
- Provide an equal foundation for every child
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

4.2 This report links to the following strategic priorities in the Organisational Strategy ‘Everyone’s Essex’:

- A strong, inclusive and sustainable economy
- A high quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow

5. Financial implications

5.1 There are no financial implications as the risk management activity will be met within existing resources.

6. Legal implications

- 6.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of internal control which includes a requirement to have adequate arrangements for the management of risk. The strategy sets out our arrangements and is thus a key way of complying with those regulations.

7. Equality and Diversity Considerations

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
 - (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.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The equality impact assessment indicates that this strategy will not have a disproportionately adverse impact on any people with a particular characteristic.

8 List of Appendices

Appendix A - Counter Fraud and Corruption Strategy 2022

9 List of Background papers

[Fighting Fraud and Corruption Locally \(FFCL\) a strategy for the 2020s](#)

Counter Fraud and Corruption Strategy

October 2022



Foreword	3
Introduction	4
Definitions	4
Aim of the Strategy	5
Our Principles	6
Protect	6
Govern	7
Acknowledge	8
Prevent	9
Pursue	10
Staff and Stakeholders	10
Monitoring & Review	12

Foreword

Essex County Council is one of the largest local authorities in the country. We provide vital services to approximately 1.5m residents, have a gross budget of over £2 billion a year and employ almost 9,000 people (full time equivalent). The Council pays pensions to a further 45,000 people and manages property, investments and other assets worth billions of pounds. We take our responsibility as the guardians of public money very seriously, which is why it is vitally important that we have in place a clear and comprehensive Counter Fraud and Anti-Corruption Strategy.

Fraud and corruption cheats the local tax payer and undermines our capacity to achieve our strategic aims.

We are determined to do all we can to prevent and detect fraud and corruption from within and outside the Council. We therefore advocate a zero tolerance approach and will seek to prevent fraud and corruption in all areas of our activities. Where any instances are discovered, the Council will take all action as is necessary to hold perpetrators to account and reduce losses to an absolute minimum.

The Council have designed this strategy to fight fraud and corruption by acknowledging and understanding our fraud risks, preventing and detecting fraud and being robust in punishing fraud and recovering losses. All Members and employees have a responsibility for promoting an anti-fraud culture by ensuring that effective measures are in place to prevent fraud and corruption and by promptly identifying and reporting potential instances for investigation.

I am pleased to support this updated and revised Counter Fraud and Corruption Strategy as a key component in our fight against fraud and corruption at Essex County Council.

A handwritten signature in black ink, consisting of stylized, flowing letters that appear to read 'C. Whitbread'.

Councillor Christopher Whitbread

**Cabinet Member for Finance, Resources
and Corporate Affairs**

Introduction

Whilst it is notoriously hard to quantify, fraud and corruption has been estimated by the National Fraud Authority as costing UK Local Government at least £2.2 billion a year - money which, today more than ever, is desperately needed to safeguard valuable frontline services. This is why it is vital that as a leading Local Authority Essex County Council has a comprehensive strategy in place to guide our Counter Fraud and Corruption culture, prevention and response. Through its members and officers, the Council works hard to establish a reputation as a responsible guardian of public funds, but we need to be vigilant to ensure that this reputation is safeguarded.

We will do our utmost to foster a culture in which fraud and corruption are kept to a minimum, and any attempt to conduct illegal activity, either internally or externally, against the Council will be robustly investigated. We have clear channels of reporting and transparent procedures to ensure that anyone, whether members of the public or employees, can have full confidence that any concerns raised, or reports made will be treated promptly, thoroughly and appropriately. If fraud is detected, these policies will ensure that internal controls are strengthened, safeguards are improved, and perpetrators are pursued.

Fraud

Fraud can be broadly described as acting dishonestly with the intention of making a gain for themselves or another, or inflicting a loss (or a risk of loss) on another; including:

- Dishonestly making a false representation
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose
- Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006

The [Fraud Act 2006](#) can be found here.

Bribery and Corruption

The [Bribery Act 2010](#) defines bribery as “the inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages whether monetary or otherwise”.

Corruption is the abuse of entrusted power for private gain. It affects everyone who depends on the integrity of people in a position of authority.

Section 7 of the Act created the offence of failure by an organisation to prevent a bribe being paid for or on its behalf. It is possible to provide a defence by implementing adequate procedures to prevent bribery occurring within the organisation. If these cannot be demonstrated and an offence of bribery is committed within the organisation senior officers of the County Council can be held accountable.

Aim of the Counter Fraud and Corruption Strategy

The aim of this strategy is to protect the public purse, Essex residents and ECC assets and ensure that fraud and corruption both within ECC and perpetrated against ECC are kept to an absolute minimum. In instances where fraud and corruption cannot be prevented, effective measures are taken to ensure that a consistent approach is taken to tackling fraud and error. We aim to ensure that robust investigations are conducted and where necessary appropriate sanctions are applied.

By adopting this strategy the council commits to:

- Develop and maintain a culture in which fraud and corruption are unacceptable
- Continually assess and monitor our fraud risks and control framework
- Continually improve the effectiveness of fraud prevention
- Use technology in the fight against fraud
- Share information effectively via data matching and analysis to help prevent and detect instances of fraud and error
- Maximise the detection of fraud loss and robustly recover losses
- Bring fraudsters to account quickly and efficiently
- Work collaboratively to safeguard vulnerable service users who may be subject to financial abuse.

Our Principles

In compiling the strategy, we have incorporated guidance and best practice in combatting fraud within local government, devised from a number of different sources, as follows:

- [Fighting Fraud and Corruption Locally \(FFCL\) a strategy for the 2020s](#)
- [Ministry of Housing, Communities and Local Government - Review into the risks of fraud and corruption in local government procurement](#)
- [The CiPFA Counter Fraud Centre](#)

The FFCL strategy highlights the following pillars of activity that local authorities should focus its efforts on to tackle the threat of Fraud.



Protect

The Council takes the threat of fraud and bribery seriously, in that it has the necessary dedicated and specialist resource, comprising of the Counter Fraud and Internal Audit team. These teams are focused on coordinating the approach that the Council takes in protecting its assets and finances from fraud and bribery. The Counter Fraud and Internal Audit teams work closely together to ensure that the Council has a robust control framework in place to reduce the risk of fraud and error.

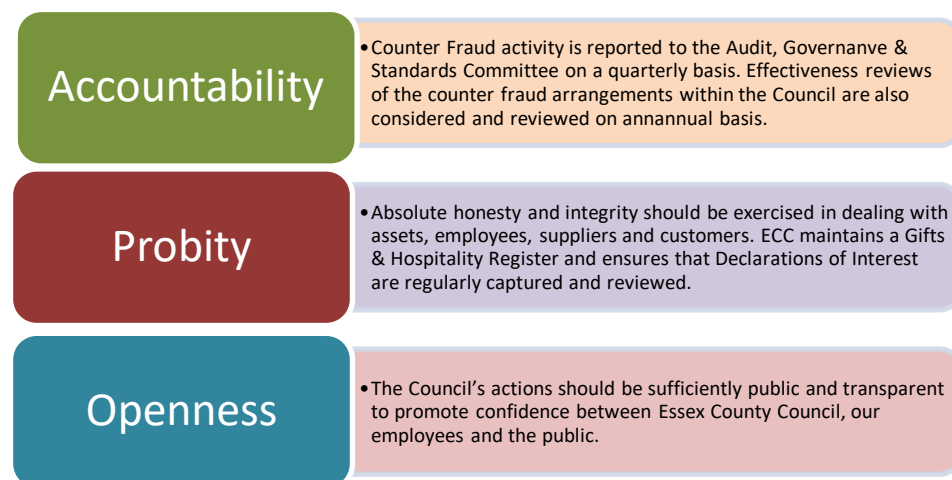
The overarching objective of the strategy is to recognise the damage that fraud can do to the Council and the residents it aims to serve and protect. We are mindful that every pound lost to fraud and error is one which cannot be spent on Essex residents.

Govern

The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation.

New staff are made aware at induction of their responsibilities and standards of behavior required, which is documented within the [Code of Conduct](#). The Council also promotes the [seven principles of public life](#) put forward by the Committee on Standards in Public Life and expect all our staff, contractors, and councillors to make themselves aware of and to follow these principles and all legal rules, procedures and practices, and to protect our legitimate interests at all times.

The Council is committed to the highest ethical standards; high standards of corporate and personal conduct are a requirement throughout the Council. The three fundamental public service values are:



Staff are made aware of how to report concerns via the [Whistle-blowing Policy](#). Anonymous referrals may also be made via the Council's external line, [EthicsPoint](#).

Acknowledge

Anti-Fraud Response - Essex County Council accepts that no authority is immune from the risk of fraud or bribery. It is for this very reason that we have implemented a bespoke work programme based on an assessment of risk, to undertake proactive work to protect the assets and finances of the Council.

Training and Awareness - the Council is also committed to providing all employees with sufficient training to enable them to identify and report fraud in a timely manner. This is achieved via e-learning modules at induction. The Counter Fraud Team offer bespoke training packages for key staff within the Council.

The Council also informs councillors of their responsibilities at the induction and reminds them of their responsibilities and update them on developments regularly. Details are also included within the documents published on the Members' portal. These include rules on declaring and registering any possible areas of conflict between a councillor's duties to the County Council duties and any other area of their personal or professional life.

Understanding Fraud Risks - the Council regularly reviews its approach to tackling fraud, with a focus on emerging risks and current themes and trends which occur across the Council, or wider across other local government areas. A fraud risk register is maintained and regularly reviewed by the Counter Fraud team to identify the key fraud risks that the Council is exposed to.

Collaboration - The Counter Fraud Team liaise with colleagues from other authorities to keep abreast of new challenges and emerging risk areas. The Team work closely with service areas to understand fraud risks in their operational areas. A fraud risk register is maintained and updated on an annual basis and used to inform a schedule of proactive work.

Prevent

Prevention is the best and most efficient way to tackle fraud and prevent losses to the Council. Effective prevention will adopt a range of activities to achieve the best outcome.

Enhancing fraud controls and processes - the Counter Fraud Team work closely with Internal Audit colleagues to ensure that a robust control framework is in place within the Council, and recommendations to rectify any system weaknesses are recorded and monitored via our centralised tracking system.

Making the best use of information and technology - a collaborative approach is adopted, working with colleagues in other authorities on data matching initiatives to help prevent fraud throughout Essex. We participate in mandatory National initiatives, for example the National Fraud initiative (NFI) on a biennial basis and also subscribe to other data matching initiatives to help identify any errors or fraudulent activity.

Data analytics - the Counter Fraud Team has a dedicated Data Analyst who completes a programme of internal data matching initiatives to help to identify erroneous or fraudulent transactions and take remedial action as necessary.

Developing a more effective anti-fraud culture – the culture of an organisation can represent one of its greatest defences against fraud and corruption. All Members and employees have a responsibility for promoting a culture of good governance by ensuring that effective measures are in place to prevent fraud and corruption and by promptly identifying and reporting potential instances for investigation. We have a Whistleblowing Policy in place to ensure that suspicions of fraud and error may be reported and robustly investigated.

Communicating its activity and successes - The Council will make best use of its communications strategy to highlight instances of fraud, for the purposes of seeking the maximum deterrence effect. We proactively share with key staff fraud alerts and emerging risks.

Pursue

We have established a robust enforcement response to pursue fraudsters and deter others.

Developing capability and capacity to prosecute offenders - The Counter Fraud Team is fully resourced and staffed by qualified Counter Fraud Specialists. The team works collaboratively with peers to keep abreast of emerging fraud risks. The Counter Fraud Team also work closely with colleagues in Essex Legal Services to pursue investigations to prosecution, where appropriate and proportionate.

Prioritise fraud recovery and use of civil sanctions - We are aware of and make the best use of legislation, for example the Proceeds of Crime Act 2002, to ensure that funds are recovered where possible by the Council.

Collaborating across geographical and sectoral boundaries - We will continue to work with colleagues in other authorities to understand emerging fraud risk areas and, where possible, take a proactive approach to tackling the risk of fraud and error.

Learning lessons and closing the gap - We will investigate how fraud and error has occurred, understand where weaknesses exist in the system and consider where improvements are required to strengthen the control framework and prevent or reduce the risk of fraud and error reoccurring.

Staff and Stakeholders

Our staff are our first line of defence against most acts of attempts of fraud, corruption or bribery. We expect and encourage them to be alert to the possibility of acts of fraud, corruption or bribery and to raise any such concerns at the earliest opportunity.

Staff have a duty to protect the assets of the Council, including information, as well as property. When an employee suspects that there has been fraud or corruption, they must report the matter to the Counter Fraud Team.

The table below provides further details of these principles and responsibilities of stakeholders.

Group/Stakeholder	Responsibility
Audit, Governance and Standards Committee	<ul style="list-style-type: none"> • Approve the Counter Fraud Strategy and receive reports of the Counter Fraud activity • Approve the Internal Audit Plan (including counter fraud activity and resource) • Promotes the strategy and ensures that resources are focussed to the Councils high risk areas.
Councillors	<ul style="list-style-type: none"> • Support and promote the ECC anti-fraud culture • Work within: <ul style="list-style-type: none"> ✓ The rules around disclosable pecuniary interests in the Localism Act 2011 and associated regulations. ✓ The ECC Code of Member Conduct, the Regulations relating to disclosable pecuniary interests; and our regulatory framework, including the Constitution, Financial Regulations and Procurement Rules and Procedures.
Section 151 Officer	<ul style="list-style-type: none"> • Has a statutory duty, under Section 151 of the Local Government Act 1972 to ensure that there are proper arrangements in place to administer the Council's financial affairs.
Monitoring Officer	<ul style="list-style-type: none"> • Has a statutory duty, under section 5 of the Local Government and Housing Act 1989 to report on unlawful activity by the Council. • Responsible for the Internal Audit and Counter Fraud Team
Head of Assurance	<ul style="list-style-type: none"> • Responsible for the Internal Audit and Counter Fraud Team • Report the results of any fraud or bribery cases to the Audit, Governance and Standards Committee • Acts as the Bribery Act Compliance Officer • Acts as the nominated Money Laundering Reporting Officer.
Senior Managers	<ul style="list-style-type: none"> • Establish an anti-fraud culture in their functional area(s) • Ensure staff are aware of and promotion of all relevant policies and procedures relating to anti-fraud and bribery, Code of Conduct etc • Adopting a robust control environment, ensuring all internal recommendations are implemented promptly.
Counter Fraud Team	<ul style="list-style-type: none"> • Deliver a quality investigative service with the objective of preventing, detecting and deterring fraud throughout the Council, thereby securing the "public purse". • Regularly report to the Audit, Governance and Standards Committee on the progress of proactive work undertaken across the Council and on the investigation of actual or suspected bribery; • Liaise with the Police and other enforcement bodies where appropriate and that relevant crimes are reported to the appropriate body. • Ensure that the Council incident and losses reporting systems are followed; • Ensure that system weaknesses identified as part of any investigation are followed up with management or Internal Audit and recommendations made to improve the control framework.
Internal Audit	<ul style="list-style-type: none"> • Developing an annual risk based approach to internal audit coverage (with consideration of fraud risk) • Reviewing and appraising the adequacy, reliability and effectiveness of the Council's systems of internal control and reporting to Senior Managers • Following up internal audit recommendations to confirm that these have been implemented by Senior Managers in accordance with agreed timescales • Ensure fraud risks are adequately considered in all internal audit assignments
Staff	<ul style="list-style-type: none"> • Staff must work within: <ul style="list-style-type: none"> ✓ the Code of Conduct for ECC Employees; ✓ ECC regulatory framework including Financial Regulations and Procurement ✓ Rules and Procedures (for buying any item or service); and ✓ relevant codes of conduct including the standards of appropriate professional organisations and associations. • Have a responsibility to report suspicious of fraud or corruption via the appropriate channels • Must comply with control frameworks within areas of work.

Contractors	Must ensure they have adequate systems and controls to ensure the prevention and detection of fraud and corruption.
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Monitoring & Review

This strategy will be owned and approved by the Audit, Governance and Standards Committee on a biennial basis.

The effectiveness of this strategy will be subject to regular review by the Head of Assurance and the Audit, Governance and Standards Committee.

Progress reports of Counter Fraud activity will be presented to and monitored by the Audit, Governance & Standards Committee. On an annual basis the effectiveness of the Counter Fraud arrangements will be assessed against the following themes, utilizing tools such as the [Fighting Fraud and Corruption Locally Checklist](#) and the 6 themes (referred to as the 6 Cs) identified in the FFCL strategy, which are:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

This information is issued by

Essex County Council, Counter Fraud Team

You can contact us in the following ways:

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Visit our website:

www.essex.gov.uk

By telephone:

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By post:

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The information contained in this document can be translated,
and/or made available in alternative formats, on request.

Published October 2022

Agenda item 9
AGS/28/22

Report title: Updated Anti Bribery and Corruption Policy 2022	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes, Head of Assurance	
Date: 31 October 2022	For: Approval
Enquiries to: Paula Clowes, Head of Assurance paula.clowes@essex.gov.uk	
County Divisions affected: All Essex	

1. Everyone's Essex

- 1.1 The Audit Governance and Standards Committee has a role to maintain oversight and to monitor the effectiveness of internal controls, governance and risk management arrangements as well as the work of the Counter Fraud team and any areas of the Council that may be impacted by the risk of Bribery and Corruption.
- 1.2 This policy sets out the provisions that the Council has put in place to identify and prevent any attempts to bribe Essex County Council officials and to set out the corporate proportionate procedures that Essex County Council has put in place.

2. Recommendations

- 2.1 The Anti Bribery and Corruption Policy 2022 be approved in the form appended to the report.

3. Background

- 3.1 The Council's current Anti- Bribery and Corruption Policy was approved by Audit Governance and Standards Committee in January 2020. It has now been reviewed and updated in line with our review process.
- 3.2 The refreshed Anti- Bribery and Corruption Policy 2022 is attached at appendix 1.
- 3.3 The following changes have been made as part of the review for 2022:
 - Front Page - Date change from January 2020 to October 2022
 - Page 7 – updated the link to Essex County Council's revised Whistleblowing Policy

- Page 8 – updated the reference to the external whistleblowing line and contact details – amended from Expolink to EthicsPoint
- Page 8 – updated the links to Protect and Department for Business Innovation and Skills (Blowing the whistle to a prescribed person)
- Appendix 1 – updated the extract from the revised Whistleblowing Policy and contact details
- Back page – date change from January 2020 to October 2022.

3.4 It is good practice to review the policy every two years. The next review is therefore due in 2024.

4. Links to our Strategic Ambitions

4.1 A strategic approach to risk management and is critical in ensuring that the Council successfully mitigates its risks in all areas of work to ensure vital services continue to be delivered and available resources reach those most in need and the council remains resilient. This report links to the following aims in the Essex Vision.

- Enjoy life into old age
- Provide an equal foundation for every child
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

4.2 This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':

- A strong, inclusive and sustainable economy
- A high quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow

5. Financial implications

5.1 There are no financial implications as the risk management activity will be met within existing resources.

6. Legal implications

- 6.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of internal control which includes a requirement to have adequate arrangements for the management of risk. The strategy sets out our arrangements and is thus a key way of complying with those regulations.

7. Equality and Diversity Considerations

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
 - (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.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The equality impact assessment indicates that this strategy will not have a disproportionately adverse impact on any people with a particular characteristic.

8 List of Appendices

Appendix A - Anti- Bribery and Corruption Policy 2022

9 List of Background papers

None

Anti Bribery & Corruption Policy

DRAFT

Revised October 2022



Essex County Council

Contents

Introduction	3
What is bribery?	3
Facilitation payments	3
Policy Statement	3
Objective of this policy	3
Scope of this policy	4
Key points of the Bribery Act 2010	5
Are we a “commercial organisation”?	6
What are “adequate procedures”?	6
Public contracts and failure to prevent bribery	7
Penalties	7
How do I raise a concern?	7
What should you do if you receive a concern?	8
Useful links	8
Appendix A - Whistle blowing	9

Introduction

The Bribery Act 2010 became law in 2011 and was enacted to enable robust action to be taken against such activity. Essex County Council is committed to protecting the public purse and the services it provides from being abused. We have a zero-tolerance approach towards bribery and promote the prevention, deterrence and detection of bribery.

What is bribery?

Bribery is defined as the offering, giving, receiving or soliciting of any item of value to influence the actions of an official or other person in charge of a public or legal duty. The act of bribery is the intention to gain a personal, commercial, regulatory or contractual advantage. Bribery is a criminal offence.

Facilitation payments

Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions. These are not tolerated and are illegal.

Policy Statement

Essex County Council is committed to the prevention, deterrence and detection of bribery.

Essex County Council commits to:

- Training all employees –as part of the induction process and refresher training as required.
- Making all employees aware of their responsibilities, via e-learning modules and to adhere strictly to this policy at all times
- Encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
- Provide information to all employees to report breaches and suspected breaches of this policy.
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution.
- Taking firm and vigorous action against any individual(s) involved in bribery.
- Include appropriate clauses in contracts to prevent bribery and deal with the consequences if it occurs.

Objective of this policy

This policy provides a clear and consistent framework for employees of Essex County Council to ensure compliance with the law. This policy details the types of offences within the Bribery Act 2010 and in conjunction with related policies and key documents provides guidance to staff and members should they identify a potential offence.

This policy does not change our Gifts and Hospitality policy or the ECC Member Code of Conduct. All staff must comply with the Officer Gifts and Hospitality Policy. All Members must comply with the ECC Member Code of Conduct.

Scope of this policy

This policy applies to all of Essex County Council's activities and all personnel (permanent and temporary employees, agency staff, volunteers, consultants and Members)

HM Government published the UK Anti-Corruption Plan in December 2014, putting in place new arrangements requiring local authorities in England to adopt a Code of Conduct compliant with the seven 'Nolan' principles of standards of public life; selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

All local authorities are also required by the Localism Act 2011 to put in place arrangements for investigating allegations that Members have failed to comply with the ECC Member Code. Failure to comply with the code could lead to the Member being censured. ECC have a Standards Sub-Committee that have put in place procedures and approved processes for investigating allegations relating to Members.

For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for Essex County Council or under its control. All staff are required to avoid activity that breaches this policy.

We require that all employees and members:

- read, understand and comply with this policy
- raise concerns as soon as possible if it is believed or suspected that a conflict with this policy has occurred, or may occur in the future.
- act honestly and with integrity at all times and safeguard Essex County Council's resources for which they are responsible
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Essex County Council operates, in respect of the lawful and responsible conduct of activities

As well as the possibility of civil and criminal prosecution, employees breaching this policy will face disciplinary action, which could result in dismissal in cases of gross misconduct.

Key points of the Bribery Act 2010

There are four key offences under the Act:

Section 1 offence of Bribing Another Person:

This section makes it an offence when a person:

- Offers, promises or gives a financial or other advantage to another person and intends the advantage to induce a person to perform improperly a relevant function or activity or to reward a person for the improper performance of such a function or activity or
- Offers, promises or gives a financial or other advantage to another person and knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity

Section 2 Being Bribed

This section makes it an offence when a person:

- Requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly
- Requests, agrees to receive or accepts a financial or other advantage and the request, agreement or acceptance itself constitutes the improper performance of the person of a relevant function or activity
- Requests, agrees to receive or accepts a financial or other advantage as a reward for the improper performance of a relevant function or activity; or
- In anticipation of or in consequence of the person requesting, agreeing to receive or accepting a financial or other advantage, a relevant function or activity is performed improperly

Section 6 Bribery of foreign public officials

Under this section an offence is committed where a person:

- Intends to influence a foreign official in their official capacity and intends to obtain or retain business or an advantage in the conduct of business; or
- Offers, promises or gives any financial or other advantage to a foreign public official

Section 7 Failure of commercial organisation to prevent bribery

A relevant commercial organisation is guilty of an offence:

- If a person associated with the organisation bribes another person intending to obtain or retain business for the organisation or to obtain or retain an advantage in the conduct of business for the organisation and the organisation fails to take reasonable steps to implement adequate procedures to prevent such activity

Are we a “commercial organisation”?

Essex County Council is a commercial organisation for the purposes of the Bribery Act 2010.

What are ‘adequate procedures’?

In the first instance it is for each organisation to determine procedures which it considers proportionate. Ultimately, if bribery occurs, a court will decide whether the procedures are adequate

In determining procedures we need to have regard to the following six principles which are set out in guidance produced by the Department of Justice:

Proportionate procedures

An organisation’s procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the organisation’s activities. They are also clear, practical, accessible, effectively implemented and enforced.

Top level commitment

The top-level management (be it a board of directors, the owners or any other equivalent body or person) are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

Risk Assessment

The organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented.

Due diligence

The organisation applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

Communication (including training)

The organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

Monitoring and review

The organisation monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

Essex County Council is committed to proportional implementation of these principles.

Public contracts and failure to prevent bribery

Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. However, Essex County Council has the discretion to exclude organisations convicted of this offence.

Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

A person guilty of an offence under section 7 is liable on conviction on indictment to a fine.

How do I raise a concern?

Essex County Council ensures that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

Employees who raise concerns or report wrongdoing (eg that they have been offered a bribe or who have been asked to bribe a third party) can understandably be worried about whether there will be repercussions. We aim to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if those concerns turn out to be mistaken.

We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern.

There are multiple channels to help you raise concerns. These are set out in Appendix A to the Council's [Whistle-blowing Policy](#)

In the rare event that internal disclosure proves inappropriate, concerns can be raised with the Police. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. We have

clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous as enquiries can be made to ensure the allegation is correctly interpreted.

What should you do if someone reports a concern to you?

Senior officers in the service that has been affected by suspected fraud or corruption are responsible for the making initial enquiries, and should request the guidance and assistance of the Counter Fraud Team who have specialist skills and experience in investigating fraud or corruption.

The Head of Assurance or the Counter Fraud Manager must be told about any suspected irregularities immediately when they become apparent and may instruct the Counter Fraud Team to investigate further if necessary.

Paula Clowes – Head of Assurance (phone: 03330 321474) or e-mail paula.clowes@essex.gov.uk

Karen Bellamy – Counter Fraud Manager (phone 03330 138420) or e-mail karen.bellamy@essex.gov.uk

Alternatively, referrals may be made via [Ethics Point](#)- an external agency that operates a Whistleblowing hotline on behalf of the Council - contact telephone number or phone 0800 89 0011 and enter code 833-626-1514. It is answered by trained personnel. Anonymous referrals may be made via this route.

If you have any questions about these procedures, please contact Karen Bellamy (Counter Fraud Manager) on 03330 138420.

Useful links

The Bribery Act
[Bribery Act 2010](#)

Bribery Act statutory guidance
<https://www.gov.uk/government/publications/bribery-act-2010-guidance>

Guidance published by Protect (formerly Public Concern at Work), a charity which aims to provide support in this area:
[Advice Line | Protect - Speak up stop harm \(protect-advice.org.uk\)](https://protect-advice.org.uk)

Department for Business Innovation and Skills (Blowing the whistle to a prescribed person)
[Whistleblowing: prescribed persons reporting requirement - Department for Business, Energy and Industrial Strategy - Citizen Space](#)

HM Government UK Anti- Corruption Plan
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388894/UKAntiCorruptionPlan.pdf

Gifts and Hospitality Policy

https://intranet.essex.gov.uk/Pages/Gifts_and_hospitality.aspx

Officers and Members Code of Conduct

<https://www.essex.gov.uk/governance>

Appendix A Extract from ECC's Whistleblowing Policy

Raising a concern

Sometimes employees may have concerns about events that are taking place at work. Generally, in the first instance these concerns are resolved by providing information and having a discussion with the line manager or other senior manager.

If an employee feels a discussion with their manager is not appropriate, for example if they reasonably believe their line manager or senior managers are involved in the wrongdoing, or if for any other reason the employee does not wish to approach their line manager, there are a variety of other ways to make a formal disclosure including:

- People Support by email people.support@essex.gov.uk or phone on 033301 35888.
- Counter Fraud Team by email CounterFraud.Team@essex.gov.uk or phone 03330 138917
- ECC's Monitoring Officer
- ECC's external provider Ethicspoint or phone 0800 89 0011 and enter code 833-626- 1514

Concerns raised in confidence

At ECC we promote an open and honest culture. Anyone with a genuine concern will be supported and protected if they 'blow the whistle' and are encouraged to raise their concerns in their own name. ECC will not tolerate the victimisation, intimidation or penalisation of anyone raising a genuine concern, anyone involved in the subsequent investigation or anyone acting as a witness. When investigating, the details of the whistleblowers will only be shared on a need-to-know basis and held securely on ECC's whistleblowing log, maintained by the Counter Fraud team.

Concerns raised anonymously

Employees are encouraged to put their name to their whistleblowing concern whenever possible. This usually means a better investigation can take place. However, where necessary employees may want to raise a concern anonymously and this can be done using our external helpline. It is important to note that it may prove more difficult or impossible to investigate the concern without the ability to have a two-way dialogue with the whistleblower. Anonymous whistle-blowers may not also be able to receive feedback or updates on the actions that have taken place because of their disclosure because of their anonymity.

Contact for further information

People Support.

- By email people.support@essex.gov.uk
- or phone on 033301 35888.

Paula Clowes – Head of Assurance

- By Email: paula.clowes@essex.gov.uk
- Or phone on 03330 321474

This information is issued by

Essex County Council, Counter Fraud Team

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Karen Bellamy – Counter Fraud Manager 0333 0138 420

By post:

Karen Bellamy – Counter Fraud Manager Internal Audit E2 Zone 1 County Hall Market Road
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Published October 2022

Agenda item 10
AGS/29/22

Report title: Updated Anti Money Laundering Policy 2022	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes, Head of Assurance	
Date: 31 October 2022	For: Approval
Enquiries to: Paula Clowes, Head of Assurance paula.clowes@essex.gov.uk	
County Divisions affected: All Essex	

1. Everyone's Essex

- 1.1 The Audit Governance and Standards Committee has a role to maintain oversight and to monitor the effectiveness of internal controls, governance and risk management arrangements as well as the work of the Counter Fraud team and other areas of the Council that are involved in areas that are susceptible to money laundering activities.
- 1.2 This policy sets out the provisions that the Council has put in place to identify and prevent any attempts to use Essex County Council to launder money, and the reporting arrangements such any activity be suspected.

2. Recommendations

- 2.1 The Anti Money Laundering Policy be approved in the form appended to the report.

3. Background

- 3.1 The Council's current Anti- Money Laundering Policy was approved by Audit Governance and Standards Committee in January 2020. It has now been reviewed and updated.
- 3.2 The refreshed draft Anti-Money Laundering Policy is attached at appendix 1.
- 3.3 The following changes have been made as part of the review for 2022:

- Page 4 – Deleted sentence “The introduction of the Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 has broadened the definition of money laundering and has widened the range of activities controlled by the statutory framework”
- Page 6 - Updates to the links to the National Crime Agency (NCA) Suspicious Activity Reporting (SAR) system and the NCA website.

- Back page – addition of contact e-mail address – cfteam@essex.gov.uk added.
- Back page – date change from January 2020 to October 2022.

3.4 It is good practice to review the policy every two years. The next review is therefore due in 2024.

4. Links to our Strategic Ambitions

4.1 A strategic approach to risk management is critical in ensuring that the Council successfully mitigates its risks in all areas of work to ensure vital services continue to be delivered and available resources reach those most in need and the council remains resilient. This report links to the following aims in the Essex Vision.

- Enjoy life into old age
- Provide an equal foundation for every child
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

4.2 This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':

- A strong, inclusive and sustainable economy
- A high quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow

5. Financial implications

5.1 There are no financial implications as the risk management activity will be met within existing resources.

6. Legal implications

6.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of internal control which includes a requirement to have adequate arrangements for the management of risk. The strategy sets out our arrangements and is thus a key way of complying with those regulations.

7. Equality and Diversity Considerations

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
 - (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.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The equality impact assessment indicates that this strategy will not have a disproportionately adverse impact on any people with a particular characteristic.

8 List of Appendices

Appendix A - Anti- Money Laundering Policy 2022

9 List of Background papers

None

Anti-Money Laundering Policy

[DRAFT]

Version October 2022

Index

Introduction	3
What is Money Laundering?	3
Scope of Policy	4
Aims	4
The Money Laundering Responsible Officer (MLRO)	4
Reporting to the National Crime Agency	5
Record Keeping	6
Staff Training & Awareness	7
Internal procedures to help forestall and prevent money laundering	6
Politically Exposed Person (“PEP”)	8

Appendix 1 - Flowchart for reporting money laundering to the MLRO

Appendix 2 - Procedure for reporting money laundering

Introduction

The Proceeds of Crime Act 2002, the Terrorism Act 2000 and Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place obligations on the Council and its employees to establish internal procedures to prevent the use of their services for money laundering and the prevention of terrorist financing. The regulations apply to organisations engaged in the following transactions:

- Buying and selling of real property or business entities
- Managing client money, securities or other assets
- Opening or managing bank, savings or securities accounts
 - Organising contributions necessary for the creation, operation or management of companies
- Creating, operating or managing trusts, companies, foundations or similar structures.

The Council must also appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity.

We are committed to *robust arrangements* to identify and prevent any attempts to use Essex County Council to launder money.

What is Money Laundering?

Money laundering has been defined as:

- concealing, disguising, converting, transferring or removing criminal property from the UK;
- entering into or becoming concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property;
- acquiring criminal property, using criminal property; or possession of criminal property.

When a person knows or suspects that money laundering activity is taking place (or has taken place), or becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, **they must report this as soon as practicable to the Money Laundering Responsible Officer (MLRO) or risk prosecution**. Offences under the Proceeds of Crime Act and Money Laundering Regulations can attract penalties of unlimited fines and up to 14 years imprisonment.

Money laundering is the process of channelling 'bad' money into 'good' money in order to hide the fact that the money originated from criminal activity, and often involves three steps:

- **Placement** - cash is introduced into the financial system by some means;
- **Layering** - a financial transaction to camouflage the illegal source;

- **Integration** - acquisition of financial wealth from the transaction of the illicit funds.

The Council's Financial Regulations have been amended to prevent the acceptance of cash payments greater than £10,000 (including notes, coins or travellers cheques in any currency). This does not mean that cash transactions below this value will be valid and legal and professional scepticism is encouraged at all times. Any suspicions should be reported to the MLRO (see below) and any advice followed.

Scope of the Policy

This Policy applies to all employees of Essex County Council and sets out the procedures which must be followed (for example the reporting of any suspicions of money laundering activity) to enable the Council to comply with its legal obligations.

Essex Legal Services Ltd have adopted their own policy document, detailing the requirements placed on lawyers and the arrangements in place to adhere to these.

Not all staff will need a detailed knowledge of the types of criminal offences covered by the legislation. However, some staff will require additional guidance to raise their awareness of the possibility of money laundering.

Failure by any member of staff to comply with these procedures may lead to disciplinary action being taken against them.

Aims

The policy outlines the Council's arrangements:

- To nominate a Money Laundering Reporting Officer:
- To make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports where necessary, to the National Crime Agency (NCA);
- To make those staff most likely to be exposed to or suspicious of money laundering situations aware of the requirements and obligations placed on the organisation, and on them as individuals, by the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
- To give targeted training to those considered to be the most likely to encounter money laundering;
- To establish internal procedures to help forestall and prevent money laundering.

The Money Laundering Reporting Officer

The nominated officer at Essex County Council to receive disclosures about money laundering activity is the Head of Assurance, who can be contacted as follows:

Paula Clowes, Head of Assurance

Tel: 03330 321474

[E-mail: paula.clowes@essex.gov.uk](mailto:paula.clowes@essex.gov.uk)

If the MLRO is not available, any suspicion of money laundering should be reported to:

Karen Bellamy, Counter Fraud Manager, who is the Deputy MLRO,

Tel: 03330 138420

Email: karen.bellamy@essex.gov.uk

Reporting a Concern to the MLRO

Staff who know or suspect that they may have encountered criminal activity and that they may be at risk of contravening the money laundering legislation, should contact the MLRO to advise her of their concerns. **The disclosure should be at the earliest opportunity of the information coming to your attention, not weeks or months later.**

A flow chart illustrating the procedure for reporting money laundering is at appendix 1. More information about making a report to the MLRO is detailed at appendix 2, with a Money Laundering Disclosure Form attached.

Reporting to the National Crime Agency

The initial discussion/ disclosure will be noted by the MLRO, and she will promptly evaluate this and determine whether it is appropriate to report it to the National Crime Agency (NCA).

If a report is made then the relevant NCA forms must be completed by the MLRO, or reported by the MLRO via the online portal:

[Link to the NCA SAR Online System \(ukciu.gov.uk\)](http://ukciu.gov.uk)

Up to date 'Suspicious Activity Report' forms can be downloaded from the NCA website at:

<http://www.nationalcrimeagency.gov.uk/>

In the event that a report is not submitted online, a form can be downloaded from the following website:

[Suspicious Activity Reports - National Crime Agency](#)

If no report is made, the reason must be recorded by the MLRO.

All disclosure reports referred to the MLRO and reports made to the NCA must be retained by the MLRO in a confidential file for a minimum of 5 years. The Money Laundering Disclosure Form at Appendix 2 should be used to facilitate the recording of any action taken.

The MLRO or deputy will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.

Record Keeping

The MLRO will keep a record of all referrals received and any action taken to ensure an audit trail is maintained.

All information obtained for the purposes of money laundering checks and referrals must be kept up-to-date and will be held and processed in compliance with relevant Data Protection legislation.

Staff training and awareness

All staff are required to undertake e-learning which outlines money laundering offences (providing examples) and the protocol for referral.

However, there are some areas of the Council's activities that may be more vulnerable to attempts to launder money. The Counter Fraud Team will assess the risk and where appropriate will facilitate enhanced awareness training. Essex Legal Services Ltd have developed their own policy and procedural document regarding potential money laundering activity.

Internal procedures to help forestall and prevent money laundering

In addition to introducing procedures to address specifically the requirements of the money laundering regulations, there are also robust strategies and procedures already in place to fight fraud and corruption that also apply to money laundering.

These are recorded in the Counter Fraud & Anti-Bribery Strategy and the Whistleblowing Policy, both of which are available on the Intranet.

The regulations require a risk-based approach. The County Council will focus its resources on the areas of greatest risk within each function. This helps a more efficient and effective use of resources proportionate to the risks faced. This also minimises compliance costs and provides a greater flexibility to respond to emerging risks as laundering and terrorist financing methods change.

The County Council will need to consider higher risk transactions based on:

- The origin or destination of the funds,
- Complicated financial or property transactions,
- Transactions that have no apparent economic or legal purpose,
- Where the beneficial owner is a legal person (other than a company listed on a regulated market), trust, company, foundation or similar legal arrangement;
- Providing assistance in setting up trusts or company structures, which could be used to obscure ownership of property,
- Payments that are made or received from third parties,
- Payments made by cash,
- Transactions with a cross-border element,
- A Politically Exposed Person (see definition below),
- where false or stolen identification documentation or information has been provided to the County Council on establishing the relationship,

Involving countries identified as high risk by the Financial Action Taskforce (FATF).

There will be circumstances where simplified due diligence is permitted. After consideration, if the transaction does not fall under the conditions for high risk transaction and the transaction presents a low degree of risk as determined by the County Council, a simple customer due diligence is permitted to be undertaken.

Politically Exposed Person (“PEP”)

In considering higher risk transactions, one of the criterion the council has to consider is whether the transaction(s) relate to Politically Exposed Persons (PEP). Set out below is the definition of PEP.

A PEP under the Money Laundering, Terrorist Financing and Transfer of Functions Regulations 2017 now extends to persons who fall under the definition of ‘Politically Exposed Persons’ in the UK, as well as abroad.

A politically exposed person is considered any individual who is entrusted with prominent public functions (as set out in Regulation 35(12) of the Money Laundering, Terrorist Financing and Transfer of Functions Regulations 2017, including:

- A foreign person who has held any time in the preceding year a prominent public function outside the United Kingdom, in a state or international institution
- Members of courts of auditors or of the boards of central banks
- Ambassadors, chargés d’affaires and high-ranking officers in the armed forces
- Members of the administrative, management or supervisory bodies of state-owned enterprises
- Heads of state, heads of government, ministers and deputy or assistant ministers
- Members of parliaments or of similar legislative bodies
- Members of the governing bodies of political parties
- Members of supreme courts, constitutional courts or of other high-level judicial bodies the decisions of which are not subject to further appeal except in exceptional circumstances
- Member of the administrative, management or supervisory bodies of State-owned enterprises
- directors, deputy directors and members of the board or equivalent function of an international organisation

The definition explicitly excludes middle-ranking or more junior officials.

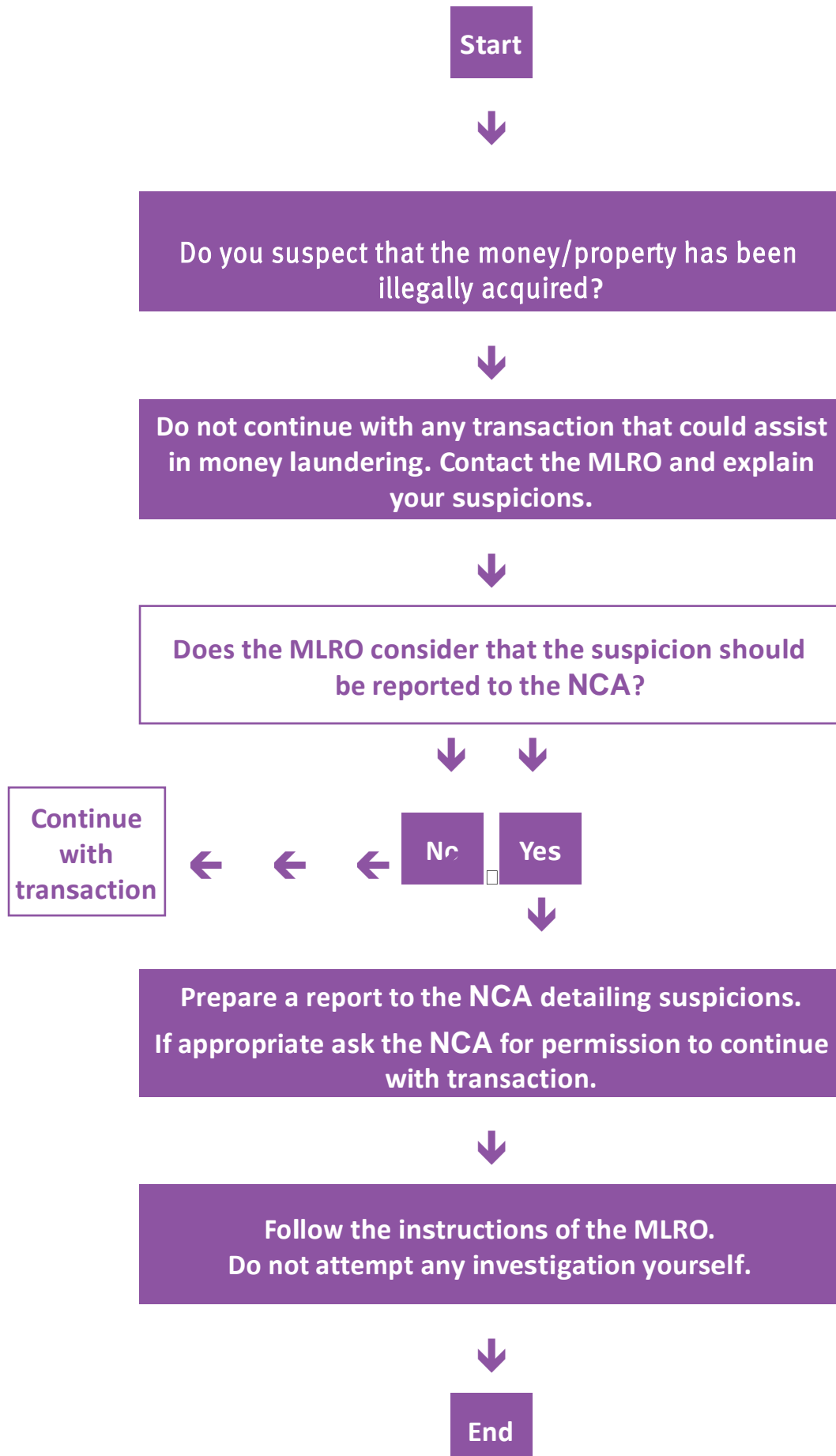
PEP status also extends to relatives and close associates.

Relatives are set out in the Regulations as a spouse or civil partner of the PEP; children of the PEP and the spouses or civil partners of the PEP’s children; and parents of the PEP.

Close associates include any individual who is known to have joint beneficial ownership of a legal entity or legal arrangement, or any other close business relations. It also includes any individual who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit of a person referred to in regulation.

The Council will take a risk sensitive approach to identifying PEPs. It will undertake a risk assessment with regards to each individual PEP on a case by case basis.

Appendix 1: Procedure for reporting money.



Appendix 2: Procedure for reporting money laundering

If you suspect that money laundering activity is taking place (or has taken place), or think that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as possible to Paula Clowes, the MLRO (paula.clowes@essex.gov.uk, telephone 03330 321474). You should contact the MLRO as soon as is practicable, or you may become liable to prosecution. Considerations of confidentiality do not apply if money laundering is at issue.

In the first instance, the report may be made informally to allow the MLRO to assess the information and decide whether a Suspicious Activity Report (SAR) should be made to the National Crime Agency (NCA). You should include as much detail as possible, for example:

- Details of the people involved – name, date of birth, address, company names, directorships, phone numbers etc;
- Full details of the nature of the involvement;
- The dates of activities;
- Where they took place;
- How they were undertaken;
- Likely amounts of money or assets involved;
- Why you are suspicious.

This will assist the MLRO to make a judgement as to whether there are reasonable grounds for assuming knowledge or suspicion of money laundering. The MLRO may initiate an investigation to enable him to decide whether a report should be made to the NCA.

In cases where legal professional privilege may apply, the MLRO must decide (taking legal advice if required) whether there is a reasonable excuse for not reporting the matter.

If a decision is made that a report should be made, the NCA provide forms for completion, to facilitate processing the information. It is recommended that for reasons of confidentiality, Essex County Council's name should only be included once on the front sheet of the reporting form as the source ID and not anywhere else in the report. It is also recommended that the name or names of those making the report to the MLRO are not included in the report, and that the MLRO is given as contact for queries on the report.

Once the matter has been reported to the MLRO, you must follow any directions she may give you. **You must not make any further enquiries into the matter yourself.** Any investigations will be undertaken by the NCA.

If you are still involved with the situation that has given rise to suspicions of money laundering, you must not take any further action **that might constitute a money laundering offence** unless permission is given by the NCA to continue with the process. In these circumstances, permission should be sought from NCA when the report is made to continue with the process that may involve money laundering. Permission will be given (or withheld) within 7 working days and this may mean that work for a client has to stop until and unless consent is given.

However, there is no automatic need to stop work for a client when a report has been made, unless the business would commit to one of the main money laundering offences by continuing its work for the client.

Care should be taken that the client who is suspected of money laundering is not alerted that a report has been made to the NCA. 'Tipping off' is a specific offence under the Proceeds of Crime Act, covering situations where disclosures are made following a report to NCA that may prejudice an investigation.

If the NCA has any queries on the report, responses to those queries should be routed via the MLRO to ensure that any reply is covered by appropriate protection against claims for breaches of confidentiality.

You should not make any reference on a client file to a report having been made to the MLRO – the client might exercise their right to see the file, and such a note would tip them off to a report having been made, and might make you liable to prosecution.

Confidential

Report to Money Laundering Reporting Officer	
Staff member's name	
Title / Department	
Phone	
Email	
Details of Suspected Offence	
Names and addressed of the persons involved (if a company the nature of their business)	
Nature, value, timing of activity	
Nature of suspicions	
Has any investigation been undertaken?	
Have you discussed your suspicions with someone else ?	
Have you consulted any supervisory body e.g. The Law Society	
Do you have any good reason not to disclose the matter to the NCA?	
Signed and dated	
For Completion by the MLRO	
Date received	
Date acknowledged	
Unique case reference no.	
Are their reasonable grounds for suspecting money laundering ?	
If yes, confirm date of report to NCA?	
Date consent given to employee for transaction to proceed	
Categories	1. Debt/charge 2. Overpayment 3. Refund 4. Cashier error 5. Land/building resale within 3-12 months 6. House or Asset resale within 3 months
Signed and dated	
THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS	

This information is issued by

Essex County Council, Counter Fraud.

You can contact us in the following ways:

By email:

CounterFraud.team@essex.gov.uk or cfteam@essex.gov.uk

By telephone:

[03330 138917](tel:03330138917)

By post:

[Counter Fraud Team](#)

Essex County Council

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County Hall Chelmsford

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CM1 1QH

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The information contained in this document can be translated, and/or made available in alternative formats, on request.

Published October 2022

Agenda Item 11
AGS/30/22

Audit, Governance and Standards Committee – Work Programme 2022/23

The Work Programme is a document that is subject to revision as circumstances change

Meeting	Topic	Author
28 November 2022	2021/22 External Audit Plan for Essex County Council	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
Meeting	Topic	Author
16 January 2023	Internal Audit and Counter Fraud progress reports	Paula Clowes, Head of Assurance
	2020/21 Audit Completion Report - Essex County Council (Final)	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	2020/21 Annual Audit Letter - Auditor's Annual Report	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	Approval of 2020/21 Statement of Accounts	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	Proposals for effectiveness review	Paul Turner, Director, Legal and Assurance
Meeting	Topic	Author
27 March 2023	Audit Plan	Paula Clowes, Head of Assurance
	Audit Charter	Paula Clowes, Head of Assurance
	Regulation of Investigatory Powers Act 2000: Annual Review of Activity	Paula Clowes, Head of Assurance
	Update to the Regulation of Investigatory Powers Act (RIPA) Policy	Paula Clowes, Head of Assurance

	External Auditor's Annual Letter 2021/22	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	2021/22 Audit Completion Report – Essex County Council	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	2021/22 Audit Completion Report – Essex Pension Fund	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	Approval of 2021/22 Statement of Accounts	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	External Auditor's Audit Plan for Essex County Council – 2022/23	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	External Auditor's Audit Plan for Essex Pension Fund – 2022/23	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	Arrangements for closure of the accounts for 2022/23	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	Progress report on cyber security, following completion of further audit being undertaken in 2022/23	Melanie Hogger, Director, Technology Services