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## **The Minutes of the meeting of the Audit, Governance and Standards Committee, held in Committee Room 1, County Hall, Chelmsford on Monday 30 January 2023**

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

### **Present:**

#### **Members of the Committee:**

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

#### **ECC Officers:**

Christine Golding	Chief Accountant
Stephanie Mitchener	Director, Finance
Paula Clowes	Head of Assurance
Paul Turner	Director, Legal and Assurance
Sophie Crane	Senior Democratic Services Officer
Judith Dignum	Democratic Services Officer

### **Also present:**

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

### **Welcome and Introduction**

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

## **1. Membership, Apologies, Substitutions and Declarations of Interest**

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

- The Membership of the Audit, Governance and Standards Committee was as shown in the report.
- No apologies had been received.
- No declarations of interests were made.

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

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

The minutes of the meeting held on Monday 28 November 2022 were approved as a correct record and there were no matters arising.

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

Christine Golding, Chief Accountant, introduced the report (AGS/01/23) and Mr Barry Pryke of BDO updated the Committee on the progress made in relation to the two audits.

It was confirmed that the 2020/21 review process for the Essex County Council (ECC) external audit was complete, that there were no outstanding information requests with the council. BDO were working through review points and the requirement to report on infrastructure assets, with a focus on completing this by the end of March 2023. The 2020/21 Essex Pension Fund (EPF) audit work was complete but the opinion could not be officially signed off until the ECC audit was concluded.

The statutory instrument in relation to infrastructure assets was finalised by the Department for Levelling Up, Housing and Communities in December 2022 and the related CIPFA bulletin issued in January 2023. Mr David Eagles of BDO explained the complexities of the infrastructure assets work, which had been the subject of national debate.

Christine Golding clarified that while Essex Highways hold historical data about works done across the highways network, the format of this did not easily align with financial records and did not go back far enough in all cases.

Members expressed disappointment that the audit timescales previously provided by BDO had not been met. BDO indicated that while they had sufficient resource in place for the original contract requirements, there had been changes to the level of work required which was generated by new international auditing standards and that additionally there was no surplus capacity in the audit market.

It was noted that a number of other highways authorities were also unable to sign off 2020/21 accounts by the end of January 2023 and that BDO could only sign off once all work in relation to the audit had been concluded. ECC had the option to contact the Financial Reporting Council, Public Sector Auditor Appointments Ltd (PSAA) or the regional Head of BDO regarding the performance of BDO if this was considered necessary.

It was clarified that the historical financial system that ECC was holding open pending the conclusion of the 2020/21 audit could be available until September

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2023 if needed, which should allow sufficient time to close the accounts. Lessons learned from this requirement would be factored into any future system changes.

BDO confirmed that the 2021/22 external audits for both ECC and EPF were in progress but that the timescales for concluding these was not certain.

Members noted that 2022/23 was the last contractual year that BDO would be the external auditor for ECC and that the timescales for that audit were not yet defined. Members asked BDO to provide this timeline as soon as possible so that a managed transition to the new auditors could be planned.

### **Resolved**

That the Committee noted:

- The reasons for the further delay to completion of the audit for 2020/21.
- The external auditor's update on the status of the audits of the Council and Essex Pension Fund for 2021/22.

## **4. Internal Audit and Counter Fraud Progress Report**

Paula Clowes, Head of Assurance introduced the report (AGS/02/23) which covered September – December 2022 and noted the following points:

- The report proposed some changes to the 2022/23 internal audit plan.
- There had been no 'no assurance' reports issued in the period however one follow up audit concerning the Essex Countywide Travellers' Unit was assessed at 'limited assurance'.
- As at 31 December 2022 there were 13 Major and 95 Moderate recommendations open.
- During this period the work of the Counter Fraud team had resulted in the recovery of £82,959.81 with a further £37,316.60 in recovery.
- A care home provider had been successfully prosecuted and received a custodial sentence of 12 months for 5 offences of fraud amounting to £58,000.

It was clarified that the proposed change to the data quality audit for 2022/23 would change the scope of the audit resulting in more systems being included but that the stand-alone audit would not go ahead.

Paula Clowes agreed to confirm the following matters to Members of the Committee by email:

- The total number of providers from which the sample of 22 providers was selected for review in relation to Covid funding.
- Any trends identified in relation to the increase in 3<sup>rd</sup> party fraud referrals in the period.

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Members considered the outstanding audit recommendation regarding direct payments to families in receipt of personal budgets, the lead Director had attended the Audit, Governance and Standards Committee in June 2022 to provide an update and Members expected to see further progress by the next Committee meeting.

### **Resolved**

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

That the Committee approved the changes to the 2022/23 Internal Audit and Counter Fraud Plan as detailed in the appendix to the report.

## **5. Risk Management Update Report**

Paula Clowes introduced the report (AGS/03/23) and noted that it was the first time that the Committee had received the report in this format and that feedback was welcomed.

It was clarified that the Strategic Risk Register was regularly reviewed by senior leaders and that the outcomes of ECC's risk maturity assessment would be reported to the Audit, Governance and Standards Committee when complete.

Paula Clowes agreed to circulate the following to Members of the Committee:

- The full de-brief report on operation Black Hat.
- Clarification regarding the scope of the control measure 'modelling options for major contracts' under the strategic risk SRR092: Inflation.

### **Resolved**

That the Committee noted the activity in relation to Risk Management and the Strategic Risk Register.

## **6. Minor Update to Anti Money Laundering Policy**

Paula Clowes introduced the report (AGS/04/23) and indicated that the minor update to the policy at appendix A clarified the Council's processes in relation to Politically Exposed Persons (PEPs).

Further to the amendment set out in the report, it was proposed that at the start of the last paragraph on page 7 of the policy (appendix A) the following wording would replace the first sentence:

'The Council has assessed that the risk of transacting with a PEP as very low and therefore rather than having detailed procedures, it takes a risk sensitive approach to their identification. It will undertake a risk assessment with regards to each individual PEP on a case-by-case basis.'

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## **Resolved**

That, with the addition of the above amendment, the Anti-Money Laundering Policy be adopted in the form shown at appendix A to the report.

### **7. Local Government Association Debate not Hate Campaign**

Paul Turner, Director, Legal and Assurance introduced the report (AGS/05/23) and highlighted the support that had been given to ECC Members.

The report was considered under the Standards remit of the Audit, Governance and Standards Committee.

## **Resolved**

That the Committee noted the content of the LGA 'Debate Not Hate' campaign and the related work that has been undertaken in ECC.

That the Committee Chairman would write to all ECC Members inviting them to sign the online LGA "Debate Not Hate" public statement and drawing their attention to the LGA toolkit.

### **8. Audit, Governance and Standards Committee Effectiveness Review proposals 2023**

Paul Turner introduced the report (AGS/06/23) and advised of the recent materials that had been published by CIPFA to support Audit Committee self assessments. Members agreed that the CIPFA toolkit should be circulated to Members of the Committee who would then meet to consider it, preferably before the end of March 2023.

## **Resolved**

That the Committee agreed to carry out an effectiveness review of the Audit, Governance and Standards Committee as detailed in the report.

### **9. Work Programme**

Paul Turner introduced the report (AGS/07/23) and Members noted the following updates from BDO in relation to the March 2023 agenda:

- 2020/21 Audit Completion Report for ECC was very likely to be ready for March 2023, but complete certainly could not be given at this stage.

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- 2021/22 Audit Completion Reports for ECC and EPF were unlikely to be ready for March 2023.
  - 2022/23 External Audit Planning reports would not be ready for March 2023 and the proposed timeline was not yet known.

The remainder of the Work Programme was noted.

#### **10. Date of next Meeting**

As noted in the agenda the next meeting was scheduled for 27 March 2023.

**Chairman  
2023**