Essex County Council

Audit, Governance and Standards Committee Induction session

23 June 2026

Agenda

- Introductions
- Local authority accounting and reporting
- External audit arrangements
- Standards and Governance
- Risk
- Internal Audit
- Fraud
- Further development opportunities and next steps

Essex County Council

Local authority accounting and reporting

Regulatory framework

Local Audit and Accountability Act 2014

Sets the framework for accounts preparation, audit arrangements and public inspection and transparency.

Specifies that relevant authorities are required to prepare **accounts** and to have those accounts **audited** by an external auditor.

Accounts and Audit Regulations

Define the statutory framework that sits beneath the Local Audit and Accountability Act 2014.

Govern how local authorities must maintain financial control, prepare accounts, and discharge governance responsibilities.

Local Government Act 2003

Defines proper practices to include the **CIPFA Code of Practice on Local Authority Accounting**

Statutory timeline for 2025/26 Accounts and Audit

31 March 2026 | Apr 2026 | May 2026 | June 2026 | July 2026 | Aug 2026 | Sept 2026 | Oct 2026 | Nov 2026 | Dec 2026 | Jan 2027 | 27 Jan 2027

Statutory backstop date

Accounts drafted

S151 Officer must certify the Draft Accounts on or by **30 June** and publish them by this date

Accounts must be made available for public inspection on or before **1 July** (for 30 working days)

Public inspection period

We expect the audit for 2025/26 to be completed by the end of **November**, but it could run up to the **Backstop Date**

Accounts must also be made available for external audit on or before **1 July**, together with supporting working papers

External audit performed

Although the AGS Cttee receives the accounts in draft on **29 June**, the Cttee is not required to approve them until conclusion of the external audit.

AGS Committee receives and reviews the draft Statement of Accounts

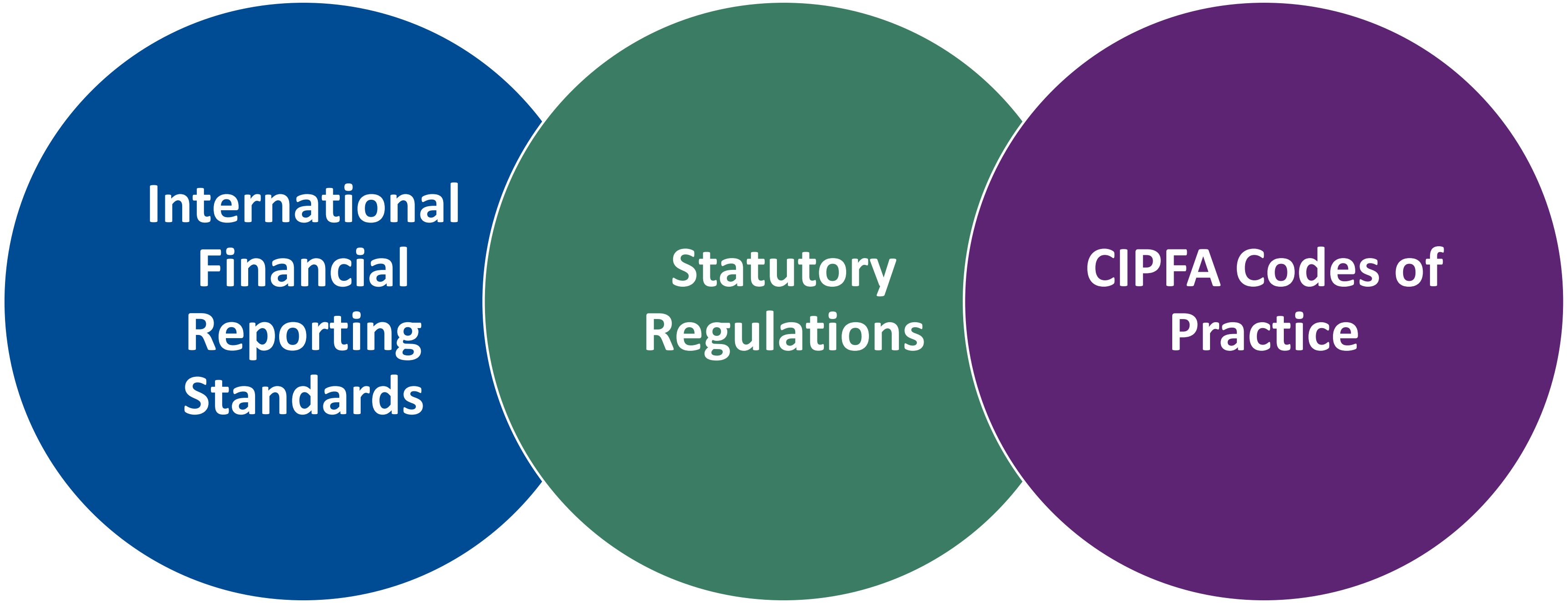
AGS Cttee approves A/Cs

Local Authority Accounting and Reporting

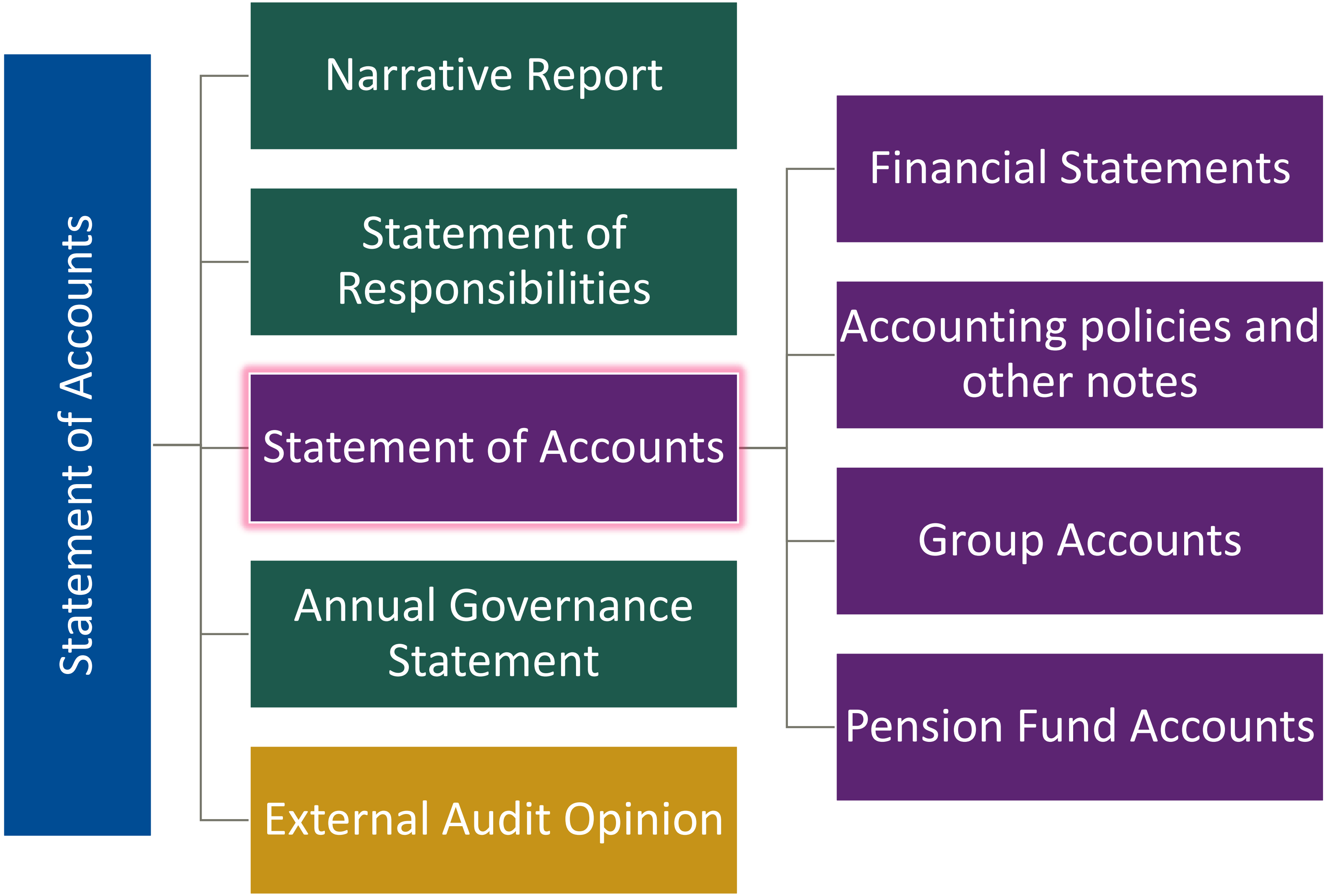
Local authority accounting is based on accounting standards designed for the private sector, insofar as they are applicable.

The government also makes rules that limit the amounts that local authorities can charge to Council Tax, thereby mitigating the impact of applying certain accounting standards.

This means that local authority accounting is a combination of the accounting standards that dictate how all organisations should account, and specific regulatory requirements.



Statement of Accounts – Overview of content



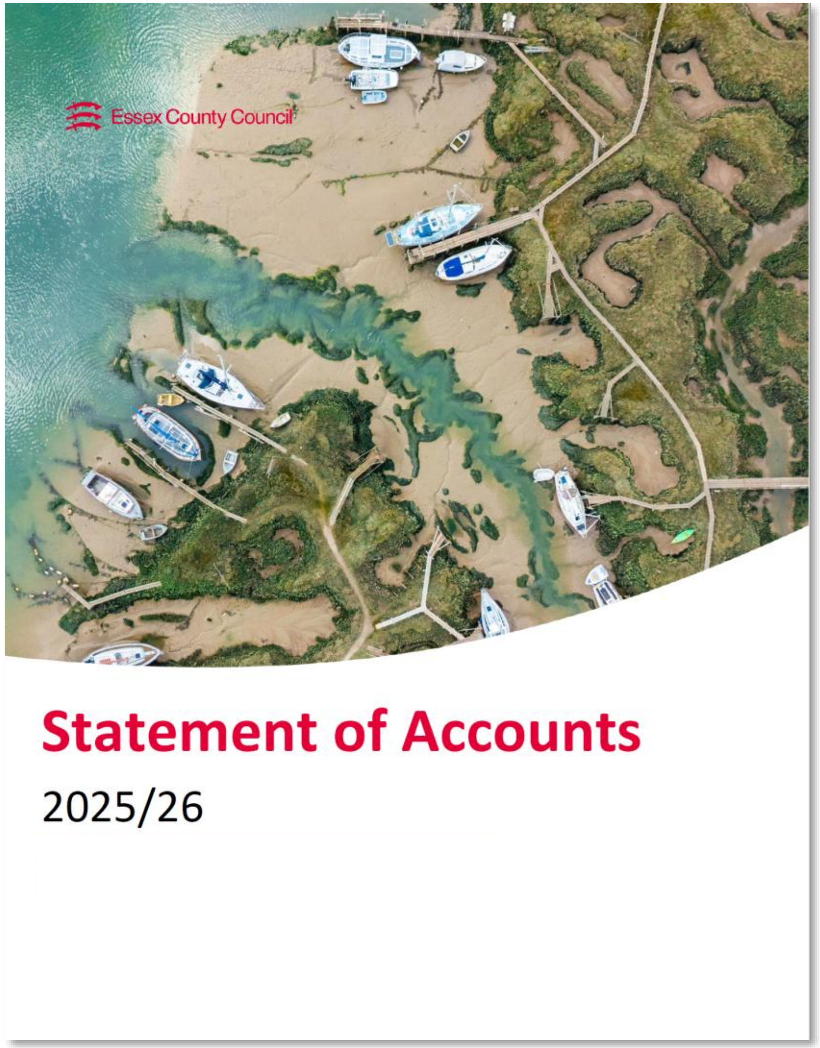
2025/26 Statement of Accounts

The Statement of Accounts contain detailed information on the financial performance and position of the Council.

The Statement of Accounts comprise:

- An analysis of **income** and **expenditure** showing how resources have been received and spent during the year.
- A statement of the Council's **financial position** (i.e. what the Council owns, what it owes and what it holds in reserves).
- A statement of **movements in reserves**, to show the increase (or decrease) in net assets.
- An analysis of **Cash Flows**.
- **Explanatory notes**.

The production and publication of the Statement of Accounts is essential for public accountability and stewardship.



Financial Statements – Comprehensive Income and Expenditure Statement

This statement shows the **accounting cost** in the year of providing services - it records all the **revenue income** and **expenditure** of the Council.

Figures are presented in this statement on an **accounting basis**, rather than on the **regulatory basis**.

This means that the figures do not directly agree to those reported for budget setting and financial management purposes.

2024/25				Note		2025/26			
Gross expenditure £000	Government grants £000	Other income £000	Net expenditure £000			Gross expenditure £000	Government grants £000	Other income £000	Net expenditure £000
					Children's Services, Adult Social Care, Public Health and Integration				
932,487	(246,218)	(191,678)	494,591		Adult Social Care, Public Health and Integration	983,719	(257,970)	(206,681)	519,068
254,718	(98,028)	(13,180)	143,510		Children's Services	294,217	(102,306)	(14,945)	176,966
12,245	(3,025)	(4,169)	5,051		Communities, Transformation and Economic Growth	11,682	(6,499)	(11,131)	(5,948)
7,598	(56)	(342)	7,200		Digital and Corporate Services	5,274	(189)	(363)	4,722
98,309	(1,124)	(7,847)	89,338		Environment, Waste Reduction and Recycling	94,903	(15,357)	(5,020)	74,526
					Education Excellence, Lifelong Learning and Employability				
780,794	(753,577)	(34,424)	(7,207)		Dedicated Schools Budget	892,469	(842,976)	(35,129)	14,364
119,522	(26,630)	(24,334)	68,558		Non Dedicated Schools Budget	102,740	(22,052)	(38,297)	42,391
227,745	(10,219)	(30,696)	186,830		Highways, Infrastructure and Sustainable Transport	428,068	(14,404)	(33,674)	379,990
15,294	(2,354)	(5,992)	6,948		Housing, Planning and Regeneration	15,394	(227)	(7,682)	7,485
13,169	(5,272)	36	7,933		Leader	10,993	(4,471)	80	6,602
54,719	(3,527)	(16,825)	34,367		The Arts, Heritage and Culture	53,469	(4,836)	(16,742)	31,891
8,609	(85)	(127)	8,397		The Chancellor of Essex	10,992	(680)	(124)	10,188
					Strategic Support Services				
12,663	-	-	12,663		Communities, Transformation and Economic Growth	20,809	-	-	20,809
88,060	-	-	88,060		Digital and Corporate Services	87,949	-	-	87,949
1,894	-	-	1,894		Leader	1,753	-	-	1,753
18,852	-	-	18,852		The Chancellor of Essex	18,138	-	-	18,138
2,646,678	**(1,150,115)**	**(329,578)**	**1,166,985**		**Cost of services - continuing operations**	**3,032,569**	**(1,271,967)**	**(369,708)**	**1,390,894**
62,652	-	-	62,652	10	Other Operating Expenditure	11,848	-	-	11,848
172,519	-	(224,018)	(51,499)	11	Financing and Investment Income and Expenditure	161,012	-	(251,223)	(90,211)
-	(458,625)	(899,926)	(1,358,551)	13	Taxation and Non-Specific Grant Income	-	(432,985)	(953,075)	(1,386,060)
2,881,849	**(1,608,740)**	**(1,453,522)**	**(180,413)**		**Surplus on Provision of Services**	**3,205,429**	**(1,704,952)**	**(1,574,006)**	**(73,529)**
					Amounts not reclassified to the Surplus on Provision of Services				
			(24,830)	27.2	Surplus arising on revaluation of non-current assets				(91,312)
			63,627	27.4	Re-measurements of the net defined benefits pension liability				130,826
			38,797		**Amounts that will not be reclassified to the Surplus on Provision of Services**				**39,514**
			(141,616)		**Total Comprehensive Income and Expenditure**				**(34,015)**

Financial Statements – Movement in Reserves Statement

This statement shows the movement in the year on the reserves held by the Council:

- **Usable reserves**.
- **Unusable reserves**.

The Movement in Reserves Statement shows how:

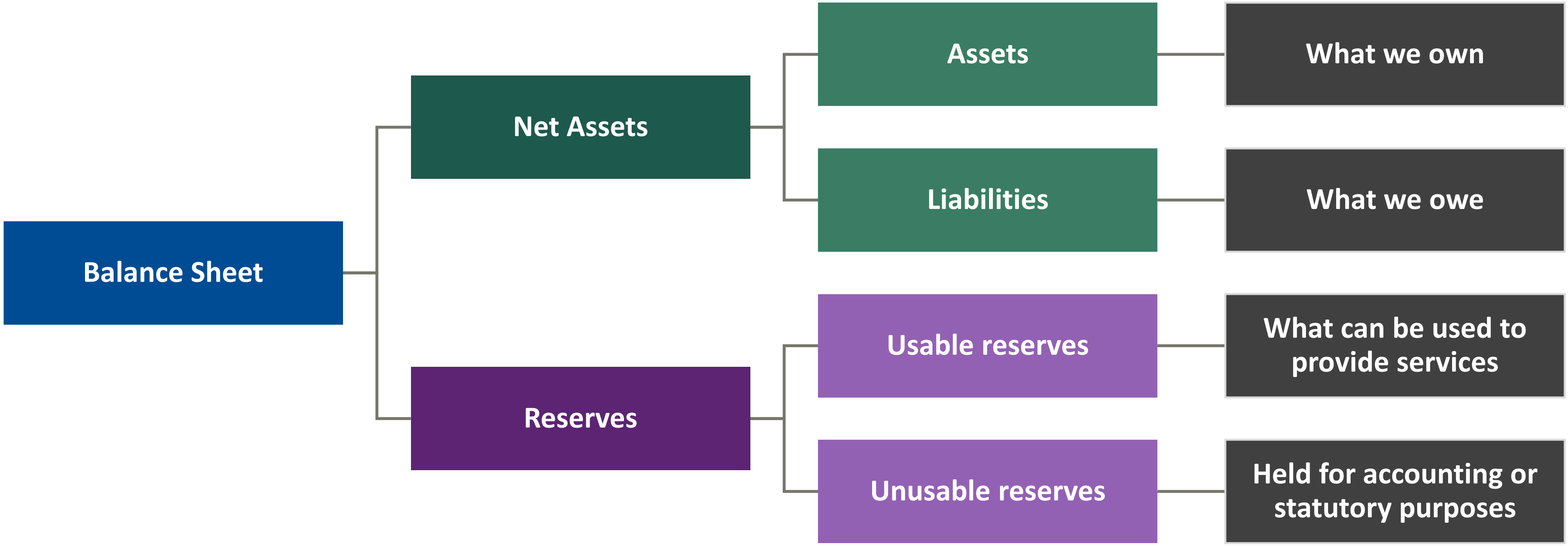
- The Council has **generated** and **expended** resources; and
- The resourcing position (as presented in the **Comprehensive Income and Expenditure Statement**) is adjusted under **statutory rules** to show the funds available to be spent at year end.

	Notes	Usable Reserves					Total Unusable Reserves	Total Council Reserves
		General Fund Balance		Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves		
		Earmarked Reserves	General Reserves					
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2024		(621,908)	(68,092)	(8,651)	(2,359)	(701,010)	(2,035,558)	(2,736,568)
Restatement of opening balances on transition to IFRS 16 Leases								
Revenue Finance Lease receivable - taken to earmarked reserves		(691)	-	-	-	(691)	(846)	(1,537)
Disposal of right of use assets		-	-	-	-	-	3,342	3,342
Revaluation of right of use assets		-	-	-	-	-	32,274	32,274
Recognition of donated right of use assets		-	-	-	-	-	(6,221)	(6,221)
Other adjustments		-	-	-	-	-	(1)	(1)
Adjusted Balance at 1 April 2024		(622,599)	(68,092)	(8,651)	(2,359)	(701,701)	(2,007,010)	(2,708,711)
Movement in Reserves during 2024/25								
Total Comprehensive Income and Expenditure		-	(180,413)	-	-	(180,413)	38,797	(141,616)
Adjustments between accounting basis and funding under regulations	8	-	168,076	2,095	(4,788)	165,383	(165,383)	-
Net (increase)/decrease before transfers to earmarked reserves		-	(12,337)	2,095	(4,788)	(15,030)	(126,586)	(141,616)
Transfers to Earmarked Reserves	9	(12,337)	12,337	-	-	-	-	-
(Increase) / decrease in 2024/25		(12,337)	-	2,095	(4,788)	(15,030)	(126,586)	(141,616)
Balance at 31 March 2025		(634,936)	(68,092)	(6,556)	(7,147)	(716,731)	(2,133,596)	(2,850,327)
Movement in Reserves during 2025/26								
Total Comprehensive Income and Expenditure		-	(73,529)	-	-	(73,529)	39,514	(34,015)
Adjustments between accounting basis and funding under regulations	8	-	64,841	(1,581)	(19,102)	44,158	(44,158)	-
Net (increase)/decrease before transfers to earmarked reserves		-	(8,688)	(1,581)	(19,102)	(29,371)	(4,644)	(34,015)
Transfers to Earmarked Reserves	9	(8,688)	8,688	-	-	-	-	-
(Increase) / decrease in 2025/26		(8,688)	-	(1,581)	(19,102)	(29,371)	(4,644)	(34,015)
Balance at 31 March 2026		(643,624)	(68,092)	(8,137)	(26,249)	(746,102)	(2,138,240)	(2,884,342)

Financial Statements – Balance Sheet

The Balance Sheet summarises the financial position of the Council as at 31st March.

The Balance Sheet is divided into defined categories.



Balance Sheet as at 31 March 2026

31 March 2025 £000	Note		31 March 2026 £000
		Property, Plant and Equipment	
		Operational assets	
1,286,846		Land and buildings	1,338,949
4,564		Vehicles, plant and equipment	4,445
1,434,108		Infrastructure	1,519,521
5,092		Community assets	5,582
		Non operational assets	
386,715		Assets under construction	240,425
51,146		Surplus assets	53,906
3,168,471	**16**	**Total Property, Plant and Equipment**	**3,162,828**
14,373	16	Heritage assets	14,652
36,016	16	Investment property	34,704
27	16	Intangible assets	-
135,107	17	Right of Use assets	124,808
27	21	Investments (non current)	-
19,798	22	Debtors (non current)	26,040
3,373,819		**Long term assets**	**3,363,032**
7,090	16	Assets held for sale	2,132
1,980	16	Investment properties held for sale	-
7		Inventories	8
204,338	22	Debtors (current)	229,355
735,312	23	Cash and cash equivalents	629,337
948,727		**Current assets**	**860,832**
(7,772)	23	Bank overdraft	(5,190)
(40,379)	21	Borrowing (current)	(35,480)
(357,934)	24	Creditors (current)	(333,138)
(9,313)	26	Provisions (current)	(10,983)
(60,658)	25	Revenue grant receipts in advance	(57,054)
(86,043)	25	Capital grant receipts in advance (current)	(58,824)
-		Deferred credits (current)	(336)
(18,355)	19	Lease and PFI obligations (current)	(12,110)
(580,454)		**Current liabilities**	**(513,115)**
(1,169)	24	Creditors (non-current)	(2,017)
(5,897)	25	Revenue grant receipts in advance (non-current)	(11,188)
(168,657)	25	Capital grant receipts in advance (non-current)	(189,125)
(32,401)	26	Provisions (non-current)	(32,567)
(538,104)	21	Borrowing (non current)	(438,928)
(8,398)		Deferred credits	(7,668)
(102,718)	19	Lease and PFI obligations (non-current)	(93,268)
(34,421)	32	Net Pensions Liability	(51,646)
(891,765)		**Long term liabilities**	**(826,407)**
2,850,327		**Net Assets**	**2,884,342**

Balance Sheet as at 31 March 2026

31 March 2025 £000	Note		31 March 2026 £000
		Usable reserves	
		General Fund Balance	
(634,936)	9	Earmarked reserves	(643,624)
(68,092)		General reserves	(68,092)
(6,556)		Usable capital receipts reserve	(8,137)
(7,147)		Capital grants unapplied account	(26,249)
(716,731)			**(746,102)**
		Unusable reserves	
(634,231)	27.2	Revaluation reserve	(697,630)
(1,548,092)	27.3	Capital Adjustments Account	(1,504,188)
34,421	27.4	Pension reserve	51,646
8,241	27.5	Financial Instruments Adjustment Account	(4,507)
(3,474)		Deferred capital receipts	(8,032)
(7,566)		Collection Fund Adjustment Account	(15,639)
17,105		Accumulated Absences Account	15,616
-	27.6	Dedicated Schools Grant Adjustment Account	24,494
(2,133,596)			**(2,138,240)**
(2,850,327)		**Total Reserves**	**(2,884,342)**

Cash Flow Statement

- The purpose of the Cash Flow Statement is to show the changes in cash and cash equivalents during the year.
- Cash flows are separated into three types.

2024/25 £000	Notes		2025/26 £000
(81,254)	28	Operating activities	(36,091)
(1,720)		Investing activities	10,506
28,748		Financing activities	128,978
(54,226)		**Net (increase) / decrease in cash and cash equivalents**	**103,393**
673,314	23	Cash and cash equivalents at 1 April	727,540
727,540	**23**	**Cash and cash equivalents at 31 March**	**624,147**

Operating activities

Cash flows related to provision of services

Investing activities

Cash flows that contribute to future service delivery (capital investment)

Financing activities

Cash flows arising from borrowing and investing activities

Significant notes to the Accounts

- Accounting Policies
- Critical Judgements
- Estimation uncertainty
- Expenditure & Funding Analysis
- Earmarked Reserves
- Property, Plant & Equipment
- Capital Expenditure & financing
- Financial Instruments
- Cash and cash equivalents
- Unusable reserves
- Pension Schemes
- Leases and PFI

Narrative Report

The Council is required to provide a **Narrative Report** to accompany its financial statements.

The Narrative Report must include **commentary** on the Council's **financial performance**.

It must provide a **fair**, **balanced** and **understandable** analysis of the Council's financial position.

Its purpose is to provide information on:

- **Objectives and purpose**
- **Past performance**
- **Future prospects**

Essex County Council

External Audit Arrangements

External Auditor

Appointment of external auditor

- Our External Auditor is appointed on our behalf by **Public Sector Auditor Appointments Ltd** (PSAA).
- **Ernst and Young LLP** (EY) are the Council's current 'appointed auditor'. EY is part way through a five-year tenure covering the period **2023/24** to **2027/28**. The Key Audit Partner is currently **Mark Hodgson**.
- **BDO LLP** were the previous appointed auditor of the Council for the five years 2018/19 to 2022/23.

Duties of external auditor

- Derived from statute – principally the **Local Audit and Accountability Act 2014**.
- Auditors are required to adhere to:
  - **Code of Audit Practice** and **Auditor Guidance Notes** (currently published by the **National Audit Office**).
  - **International Auditing Standards** (ISA's).
- Auditors are subject to quality assurance reviews by the **Financial Reporting Council**.

Audit and Accountability Act 2014

NAO Code of Audit Practice and AGN's

International Auditing Standards (ISAs)

External Auditor’s responsibilities

Audit of the financial statements

Must undertake enough work to be able to form an opinion on our Accounts

Must consider matters raised by electors

Value for Money (VFM) arrangements

Must undertake enough work to be able to determine whether the Council has achieved value for money in its use of resources.

Reporting on results of audit work

Must present reports on the outcome of work on the financial statements and value for money arrangements

Reports issued by the External Auditor

Expected timings

June 2026	November 2026	December 2026	December 2026
Presented before the audit gets underway	Presented at the end of the audit	Brings together all the auditor's work for the year	Issued at the very end of the audit.
Audit Plan	**Audit Results Report**	**Annual Report**	**Audit Completion Certificate**
Presents the planned audit strategy and explains how the auditor will carry out their duties	Summarises the results of the audit of the financial statements	Provides commentary on the Council's arrangements to secure value for money	Confirms that the audit for the year is closed.

The Auditor must also consider whether any other matters need to be communicated:

- Communication of **specific elements** of the auditor's work.
- Reports in the **public interest**.
- Written **recommendations**.

Timeliness of External Auditor Reporting – national picture

30 Sept 2015
2014/15 opinions issued by deadline = **97%**

30 Sept 2016
2015/16 opinions issued by deadline = **97%**

30 Sept 2017
2016/17 opinions issued by deadline = **95%**

31 July 2018
2017/18 opinions issued by deadline = **87%**

31 July 2019
2018/19 opinions issued by deadline = **58%**

30 Nov 2020
2019/20 opinions issued by deadline = **45%**

30 Sept 2021
2020/21 opinions issued by deadline = **9%**

30 Nov 2022
2021/22 opinions issued by deadline = **12%**

30 Sept 2023
2022/23 opinions issued by deadline = **1%**

Clearing the national backlog of local audits

In **July 2023**, the Minister for Local Government announced proposals for tackling the backlog in the publication of local authorities' audited accounts.

In **February 2024**, the Government confirmed that the approach to clearing the backlog of local audits would consist of two parts:

Reset → Recovery

Secondary legislation came into force on **30 September 2024** which set **backstop dates** for concluding annual audits over the reset and recovery periods.

The Government acknowledged that the reset measures could result in **disclaimed audit opinions** being issued to hundreds of local authorities.

Backstop dates

Financial Year	Backstop date
2022/23 & earlier years	13 Dec 2024
2023/24	28 Feb 2025
2024/25	27 Feb 2026
2025/26	29 Jan 2027
2026/27	31 Jan 2028
2027/28	30 Nov 2028

Other national 'local audit' recovery measures

Creation of a Local Audit Office to oversee local audit system and drive change

Better financial reporting and accounts

Increasing capacity and raising capability

Local audit reset guidance produced for auditors

Temporary suspension of annual quality monitoring of audits

Audit build back grant awarded to Councils to help with audit build back fees

How ECC was impacted by audit delays and the backstop dates

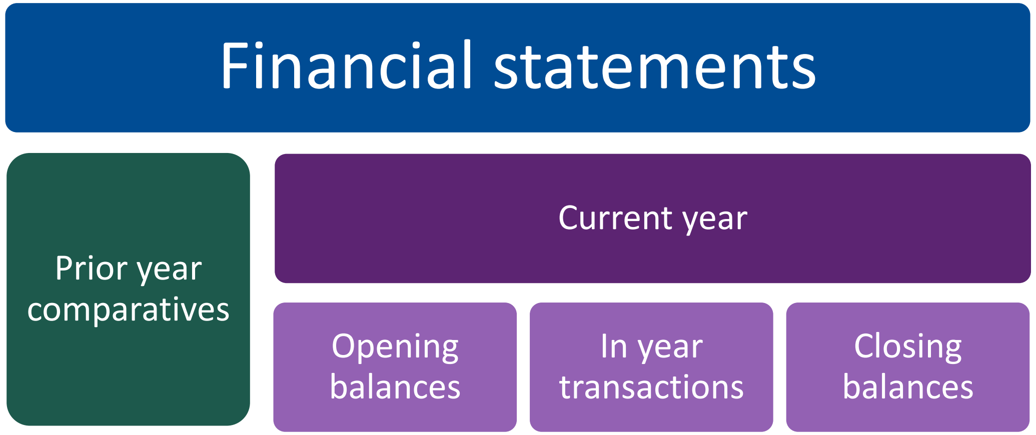
External auditor	Financial year	Original deadline for publication of audited account	Statutory Backstop dates	Dates on which audit opinions were issued	Audit opinion issued
BDO LLP	**2018/19**	31 July 2019	13 December 2024	31 July 2019	**Unmodified**
BDO LLP	**2019/20**	30 November 2020		30 November 2020	**Unmodified**
BDO LLP	**2020/21**	30 November 2021		31 January 2024	**Unmodified**
BDO LLP	**2021/22**	30 November 2022		21 November 2024	**Unmodified**
BDO LLP	**2022/23**	30 November 2023		13 December 2024	**Unmodified**
EY	**2023/24**		28 Feb 2025	25 February 2025	**Disclaimed**
EY	**2024/25**		28 Feb 2026	2 December 2025	**Disclaimed**

The Council has produced its draft Statement of Accounts and made them available for external audit and public inspection, by the applicable statutory deadline in every year.

The delays in audit completion over the period 2020/21 to 2022/23 were through no fault of the Council's.

Financial Reporting Council guide to rebuilding audit assurance

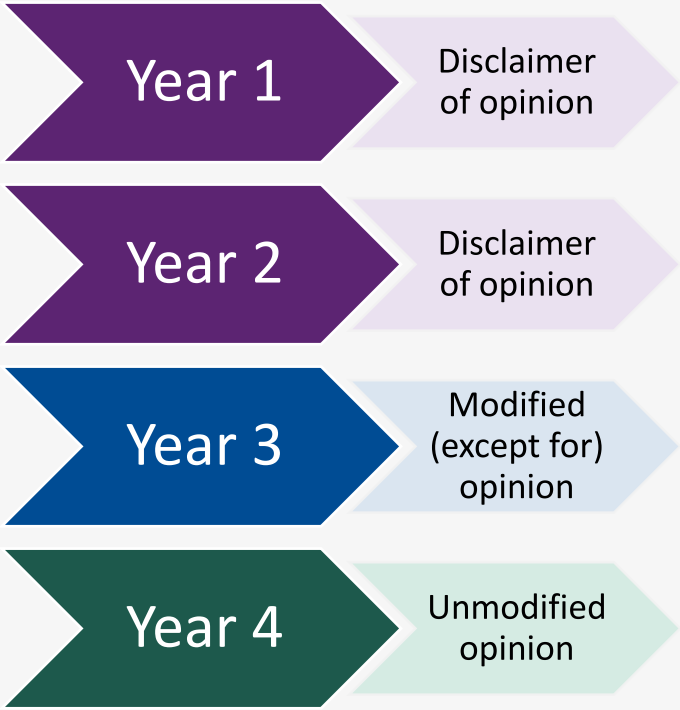
- The financial statements include:



- Normally, auditors rely on the prior year for assurance over the comparative figures and opening balances brought forward.
- In an audit following a disclaimer, the auditor will not have assurance over the opening balances and comparative figures.
- Where a disclaimer is issued, an auditor would usually have to perform work to assure all opening balances and comparative figures in a single year. However, the government's recovery period has been designed to allow auditors to rebuild assurances over multiple audit cycles.

Typical recovery period

The **Financial Reporting Council** anticipates that a local authority's recovery from a disclaimed audit opinion caused by the constraints of the government's backstop arrangements will typically be as follows:



ECC Progress to full assurance of External Audit

2023/24

Disclaimer opinion

The Council prepared and published its accounts on time.

EY did not complete the detailed audit procedures needed to issue an unmodified audit report on the Council's financial statements.

2024/25

Disclaimer opinion

The Council prepared and published its accounts on time.

Continuing impact from 2023/24 – EY did not undertake the work necessary to gain complete assurance over:

- Comparator income and expenditure transactions.
- Property, Plant and Equipment assets.
- Reserves.

2025/26

Qualified (except for) opinion

The Council has prepared its accounts and is on track to publish them on time.

Audit gaps may remain on Property, Plant and Equipment assets.

EY need to assess the impact on the Comprehensive Income and Expenditure Statement and reserves.

The most likely audit outcome is a **qualified (except for)** opinion.

2026/27

Unmodified opinion

Expectation is that all items will be resolved, and that the auditor will be able to issue an **unmodified** (clean) audit opinion.

Summary of the assurances provided by EY

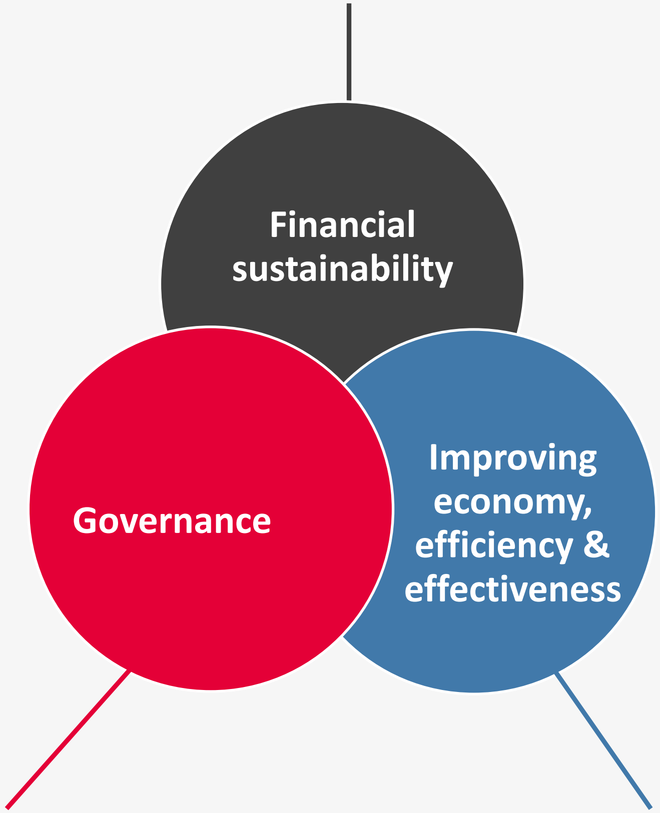
Because EY did not undertake an audit of the Council's 2023/24 financial statements, they could not provide assurance over any aspect of those financial statements. They did provide assurance over many aspects of the Councils financial statements for 2024/25 though:

Account area	2023/24 rating	2024/25 rating	Comments
Property, Plant and Equipment (PPE)	None	Partial	Until EY can rebuild assurance over additions, disposals and revaluations in the disclaimed periods, they are unable to obtain full assurance over the completeness and valuation of assets as at 31 March 2025.
Investment Property	None	Partial	
IFRS 16 Leases implementation	N/A	Substantial	
Intangible assets	None	Substantial	
Investments	None	Substantial	
Debtors	None	Substantial	
Cash and cash equivalents	None	Substantial	
Creditors	None	Substantial	
Borrowings	None	Substantial	
Provisions	None	Substantial	
Grant receipts in advance	None	Substantial	
Lease and PFI liabilities	None	Partial	EY decided to complete work in this area as part of their build back programme
LGPS liability	None	Substantial	
Comprehensive Income & Expenditure Statement	None	Partial	EY do not have full assurance over income and expenditure entries relating to PPE and intangible assets.
Reserves (usable and unusable)	None	None	EY did not complete work on the movements in reserves in 2023/24 and 2024/25.

Value for Money audit

- The External Auditor must assess whether the Council has put in place **proper arrangements** for **securing Economy**, **Efficiency** and **Effectiveness** in its **use of resources** each year (referred to as the '**value for money**' (VFM) **audit**).
- The output from the auditor's VFM work is **commentary** on the arrangements to secure economy, efficiency and effectiveness in the use of resources; it is **not** a '**conclusion**' or an '**opinion**' on those arrangements.
- Auditors are required to assess each authority's VFM arrangements under **three key criteria**.
- **Ernst and Young reported that they did not identify any significant weaknesses in the Council's arrangements to secure value for money in 2023/24 or 2024/25.**
- Ernst and Young did not issue any **recommendations** in relation to the Council's arrangements to secure value for money in 2023/24 or 2024/25 either.

How the Council **plans** and **manages** its **resources** to ensure that it can continue to deliver its services



How the Council ensures it takes **informed decisions** and properly **manages its risks**

How the Council **uses information** about its costs and performance to **improve** the way it manages and delivers its services

Essex County Council

Questions

For further Information please contact:

- **Stephanie Mitchener, Director, Finance** (Stephanie.Mitchener@essex.gov.uk)
- **Christine Golding, Chief Accountant** (Christine.Golding@essex.gov.uk)

Essex County Council

Standards and Governance

Paul Turner, Director, Legal and Assurance

Standards

Duty to maintain high standards of behaviour (Localism Act 2011)

Important that the committee

DPIs – set by law, enforced(?) by the police

Investigation processes

Register of gifts and hospitality

‘Foreign Travel’ – more appropriately called ‘high cost travel’

Code of Conduct Process

Allegation	Investiation decision	Investigation	Decision on whether to hold a hearing	Hearing
In writing to MO	Most complaints not investigated If there is a decision not to investigate then it is considered by an independent person	Investigation by officer or by external investigator	Always hold a hearing if finding of breach May hold a hearing if it is borderline Considerd by an independent person	Standards Sub-Committee

Standards Hearings

No one can be found in breach of the code other than by Standards Sub-Committee

We rarely have hearings

Timing of Training?

Hearing has three parts

- **Fact finding**
- **Decision as to whether the facts amount to a breach of the code**
- **Sanction**

Standards Reform

Current system has been criticised for lack of sanctions.

Government wishes to introduce power to suspend councillors (and possibly disqualify for serious cases)

Any power to suspend requires a robust system.

Government Consultations are brought to the committee for consideration.

Annual Governance Statement

Accounts and Audit Regulations 2015 say that we must, each financial year, repare an annual governance statement

The annual governance statement must be prepared in accordance with proper accounting practices

We follow the CIPFA guidance in terms of content and order.

- Developing codes
- Ensuring compliance with laws and procedures
- Commitment to openness and acting in public interest
- Communications channels
- Setting a vision and translating it into action

- Measuring performance
- Reviewing decision making processes
- Clear roles and responsibilities

- Financial management arrangements
- Arrangements for statutory officers
- Training of members and officers
- Risk management
- Counterfraud and anti-corruption
- Scrutiny
- Head of internal audit
- Audit Committee
- Audit recommendation implementations
- Partnership governance

Essex County Council

Risk Management and Internal Audit

Paula Clowes, Assistant Director: Assurance

Stuart Coogan, Strategic Internal Audit Manager

Essex County Council

Risk

AGS Role in Risk Management

To consider the Council's arrangements for corporate governance and risk management and advise on any action necessary to ensure compliance with best practice.

(AGS Terms of Reference)

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- **This is a key document that explains our approach to risk management and sets out roles and responsibilities.**
- **There is a toolkit for staff and managers that underpins this that includes training suite, templates, guidance documents.**
- **https://www.essex.gov.uk/sites/default/files/2025-04/Risk%20Management%20Strategy%202025.pdf**
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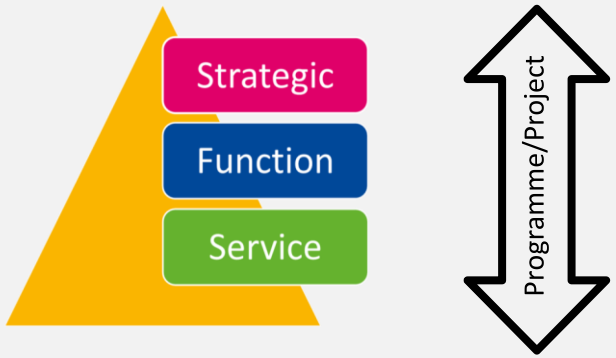
Risk Management Levels

The Corporate Leadership Team (CLT) are responsible for the Council's strategic risks, and these are reviewed and updated regularly in consultation with the Risk team. Function level risks are owned by Executive Directors, Directors or Heads of Service and are discussed and reviewed at Function Leadership Team (FLT) meetings.

Most of our risks are service level risks which are owned by an appropriate person, usually a manager, with specialist knowledge of the subject.



Programme or Project risks can exist at any level and within any service and should be managed using the same risk management process as other risks.

Strategic Risks

Our strategic risks are those that are recorded and managed at the highest level within the council.

For a risk to be included on our Strategic Risk Register it will meet one or more of the set criteria.

Strategic risks can be existing risks that are escalated to the Strategic Risk Register because the risk significance increases or can be a newly identified risk that is considered serious enough to be immediately managed at a strategic level.

Each risk on the Strategic Risk Register is tested annually to ensure it continues to meet the criteria.

1. Result in **significant** attention from outside of the Council (public, media, regulators) with the potential to cause **considerable** reputational damage.

2. **Significantly** impact upon the use of the Council's key resources – financial, people etc.

3. Result in **significant** disruption to one or more of critical services provided by the council.

4. Have **significant** political implications for the Council.

Risk Matrix

A risk matrix is a key tool used to analyse the probability and impact of a risk. The Council uses a 4X4 risk matrix, with the score determined by multiplying the ‘probability’ score with the ‘impact’ score.

Scoring risks allows them to be compared with other risks and enables risk owners to prioritise and allocate more resources to those risks posing the greatest threat to the organisation’s objectives.

			Impact/Consequences			
			Minor	Moderate	Major	Critical
			1	2	3	4
Probability	4	Almost Certain	Medium (4)	High (8)	Very High (12)	Very High (16)
	3	Likely	Low (3)	Medium (6)	High (9)	Very High (12)
	2	Possible	Low (2)	Medium (4)	Medium (6)	High (8)
	1	Unlikely	Low (1)	Low (2)	Low (3)	Medium (4)

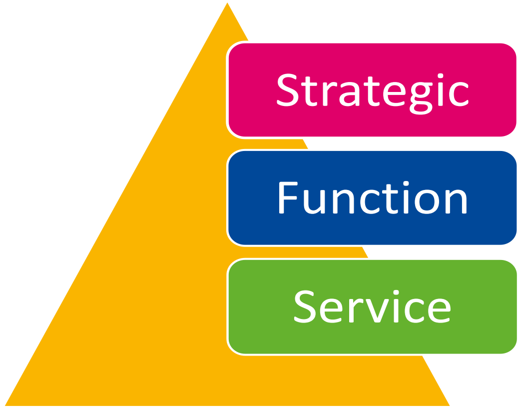
Risk Matrix – definitions

Impact Level		Description
Critical	4	Life threatening or multiple serious injuries, political and media scrutiny, core activities ceased, major financial loss, project benefits not realised
Major	3	Serious injuries with workdays lost, external scrutiny, core activities disrupted, high financial loss, significant project delays
Moderate	2	Medical treatment treated, internal scrutiny, some service disruption short term, medium financial loss, minor project delays
Minor	1	Minor injury, minor system errors, minimal financial loss, negligible project delays

Probability (or likelihood) of threat occurring within the next 12 months		Description
Almost Certain	4	The event is expected to occur in most circumstances >80%
Major	3	More likely to occur than not: 51%-80%
Moderate	2	Fairly likely to occur: 21%-50%
Minor	1	Low but not impossible: 1%-20%

Our Strategic Risk Register

- There are currently 18 risks recorded on the ECC Strategic Risk Register
- 6 are scored at the highest risk level (16)
- 7 are scored as high (12)
- The remaining 4 are scored as medium.
- This is appropriate for the Strategic Risk Register, they are the council's biggest risks and manged at the highest levels.
- When a risk reduces to an appropriate level it is de-escalated to be managed lower down the organisation.
- Our current risks are summarised on the next 3 slides. A full copy of the SRR will be sent after this training session.



Risk Details	Current Score	Target Score
SRR0046- Placement sufficiency for Children in Care (Fostering and Residential): Due to a) a national shortage of suitable placements available to meet the needs of all children and young people currently within the care population; b) the increasing costs of external placements, and c) difficulties in accessing placement capacity in Essex (due to placements being used by other local authorities, or providers being unwilling to accept children's levels of need), there is risk of the following: 1) Insufficient placements being available resulting in a failure to meet our statutory duty to provide lawful placements for children requiring care 2) Financial pressure for the organisation 3) Reputational and regulatory risk resulting from the need to use unlawful unregistered placements. 4) Inability to deliver on the current Fostering Business Case and Residential Strategy, impacting on outcomes for children and young people and non-achievement of savings Drivers of the risk are: increased pressures on families, growing contextual safeguarding risks, reductions in community based and early help services, pressures on other agencies, insufficient options within the NHS and secure estate to meet the need of children and young people with high level mental health concerns, an increase in the numbers of separated migrant children arriving in the UK, insufficient national action being taken to address drivers or control the placement market, insufficient national funding as well as increased remands to LA care in the youth justice space. Owner: Helen Lincoln	16 4, 4	12 3, 4
SRR0111- SEND (HNB overspend): The HNB is in a deficit budget position which will transfer to the balance sheet of ECC when the statutory override ceases on 31 March 2028. Whilst the authority continues to implement early intervention and prevention investment the deficit position is forecast to grow to £164m by 2027/28 and to £410m by 2029/30. These balances are before the award of any High Needs Stability Grant. In addition some maintained special schools are finding difficulty in setting balanced revenue budgets, which may require a loan from ECC. Owner: Helen Lincoln	16 4, 4	12 3, 4
SRR0107- EHC needs assessment timescales: Requests for EHC needs assessment in Essex have increased year on year since the SEND reforms. The increase in volume and complexity, compounded with a national shortage of Educational Psychologists, increases the number of cases on each practitioner's caseload and impacts ECC's ability to process requests through their relevant stages in a timely manner. Through the academic year 23/24, only 6% of EHCPs were issued in the 20-week statutory timescale. The average timescale for the academic year was 44 weeks and 6 days. There have been complaints escalated to the LGO in relation to timeliness of assessments, and the LGO has now set an approach of a £100 per month remedy for cases where delay has caused some distress. There is a risk, given that the current average timeframe is over the 20-week statutory deadline, that more parents will be eligible to claim for around £600 each. All the above results in a poor experience for children, young people and their families, a potential delay in provision and support for children, a financial strain for ECC and unmanageable caseloads for staff. Owner: Helen Lincoln	16 4, 4	9 3, 3
SRR0117- ECC liability linked to Network rail owned structures: Due to ECC having liability on Network rail owned structures but no specific funding assigned, the long-term impact could be restricting ECC's economic growth ambitions. There are two concerns- Firstly, Road-over-Rail bridges owned by NR: a NR bridge may pass a NR assessment, but not be designed for 40 tonnes loading due to its age, leading to the need to introduce weight restrictions. Currently, upgrading bridge capacity to 40 tonnes is for ECC to resolve and fund as opposed to NR. Secondly, Road-Rail Incursion risk: where there is a risk that road traffic could by accident encroach on rail lines, ECC is responsible for assessing and installing protection to prevent such incursions. While some cost is shared this still presents added cost to ECC. Owner: David Gibson	16 4, 4	8 2, 4
SRR0113- Structures condition and deterioration: Based on data we hold, there is a modelled investment shortfall of £12.8m/annum. The risk is that the lack of investment in structures and the back log of principal inspections impacts to inform a comprehensive structures programme could impact on the correct investment repair decisions being made. When ECC has to impose weight restrictions or even close weak structures, this could impact ECC's Economic Growth ambitions, negatively impacting travel, especially Goods Vehicles and buses that are essential to growth. ECC own over 1600 highway structures. Owner: David Gibson	16 4, 4	8 2, 4

Risk Details	Current Score	Target Score
SRR0110- LGR: MHCLG has confirmed the decision to proceed with the five unitary authority model; however, one district has withdrawn from participation at the Greater Essex level, including the withdrawal of associated resources. There is a risk that, as new governance arrangements are established and the implementation programme is created, uncertainty for staff, partners and communities, together with the need to reprioritise organisational and leadership capacity to support delivery, particularly where activity coincides with elections and other cyclical pressures such as statutory inspections, could undermine readiness for implementation, confidence and delivery. With districts taking themselves out of LGR, this could lead to complications in the disaggregation of ECC, and there is a risk that more districts may follow. Owner: TBC	16 4, 4	4 2, 2
SRR0118- Future Highways: Due to the complexities in the design of the new model for the future highways service and the converging timeline with the LGR timeline, there is a risk that the tender cannot be completed within the original timeframe and the Go Live date is pushed beyond the end of the current contract. This has implications for continuity of service and maintaining the statutory duty at the end of the current contract. There is a financial impact to fund the cost of the additional period of service, and a reputational impact with ECC with residents and the supplier market. Owner: David Gibson	12 3, 4	Tbc
SRR0114- Highways Network: Insufficient long-term investment, inflationary cost increases, and extreme weather are accelerating deterioration across the highways network, with modelled projections indicating an annual decline of £96m for roads and £69m for other highway assets by 2025/26. This creates a significant risk that ECC will fail to meet its statutory duty to maintain the network, resulting in poorer road quality, increased defects, complaints, insurance claims, and safety incidents. Over time, this will negatively impact business logistics, reduce attractiveness for developers and investors, and damage public confidence in ECC's services. Current controls include annual maintenance programmes and engagement with government funding streams, but gaps remain due to the absence of multi-year funding and resilience measures. Owner: David Gibson	12 4, 3	12 4, 3
SRR0112- Climate change greenhouse gases: The risk is failing to mitigate against climate change by not reducing our own and Essex's greenhouse gas emissions. We are then failing to achieve ECC's ambition for net zero estate and operation by 2030; and ECC's commitment to play its part in the delivery of a climate resilient and net zero county by 2050 (in line with national statutory commitments under Climate Change Act 2008). These commitments were agreed by cabinet Nov '21 & July '23 as part of the Council's Climate Action Plan (Nov '21 & July '23). They form part of Everyone's Essex High Quality Environment commitments. ECC must factor greenhouse gas emission reduction targets into management and delivery of its own buildings, service delivery, procurement and investments. The impacts of not doing so will be reputational and political since we will not be on track to deliver the ECC's climate commitments. This suggests ECC estate is net zero by 2030. Owner: David Gibson	12 4, 3	9 3, 3
SRR055- Provider Safety and quality: Provider failure or poor provider practice coupled with a lack of regular CQC inspection could result in serious injury or the death of a vulnerable adult or child. This would have a significant impact to service delivery, officer morale, and the reputation of the council. Owner: Nick Presmeg	12 3, 4	8 2, 4
SRR0079- Impact of wider system pressures on the provision of care: Pressures in the wider system including financial pressures, cost pressures within the market, shortages of carers and other care professionals and/or delays in the supply chain for essential goods and services undermine ASC's ability to provide care in the community. This creates gridlock in both the health and social care system leading to significant delays in the provision of care, resulting in delays to hospital discharge, and failure to provide support to those in the community whether at home or in residential care. Owner: Nick Presmeg	12 3, 4	8 2, 4
SRR0116- Impact of insufficient social work resources: There is a risk that insufficient resourcing of social workers within Adult Social Care due to budget constraints, recruitment challenges, and retention issues exacerbated by organisational uncertainties, may lead to delays in assessments, reduced quality of care planning, compromised safeguarding responses, and poor practice. This could result in unmet needs for vulnerable adults, increased pressure on other services, and failure to comply with statutory duties under the Care Act 2014 and related legislation Owner: Nick Presmeg	12 3, 4	8 2, 4

Risk Details	Current Score	Target Score
SRR0089- Cyber security: If ECC does not adequately manage and mitigate vulnerabilities across people, processes, and technology, we could face the possibility of a successful, significant, prolonged, and sustained cyber-attack. Such an incident could result in the complete or partial shutdown of all council services, potentially leaving our most vulnerable residents without the support they need. In addition, this would place the council in breach of statutory and regulatory government mandates, with the real risk of incurring substantial fines. Disruption to business could lead to financial claims, and recovery from this scale of attack – based on available statistics – could incur costs in excess of £10 million and take years to fully resolve. Owner: Claire Taylor	12 3, 4	8 2, 4
SRR0056- C&F Safeguarding: Due to stretched capacity internally and externally; social worker caseloads increasing in complexity and volume; and an increasing number of families living in poverty, there is an increased risk of child abuse, long-term psychological damage, serious injury, or death of a child. This may result in significant negative impact on service delivery, officer wellbeing and morale, and the reputation of the Council. Owner: Helen Lincoln	12 3, 4	8 2, 4
SRR0100- Capital Programme: Significant market pressures (macro economic climate / inflation / materials) could cause a programme wide financial pressure on the capital programme. Owner: Tom Walker	9 3, 3	6 3, 2
SRR0105- Impact of Lampard Inquiry: The information that emerges during the Lampard Inquiry as a result of its work leads to; - additional complaints and litigation, press attention and FOIs - adults who need help being reluctant to engage with support - a reduction in the level of support available to adults with mental health support needs. Resulting in significant strain on ECC resources and a loss of public trust in mental health services. Owner: Nick Presmeg	8 2, 4	8 2, 4
SRR0115- Integrated Care Board reorganisation: The reorganisation of the ICB's across Essex results in a reduction or cessation of key areas of activity including provider assurance and/or safeguarding, while pressure on their funding results in a reduction in Continuing Health Care awards and other areas of NHS funding. This leads to a transfer of both financial risk and cost to ECC. Owner: Nick Presmeg	6 2, 3	6 2, 3
SRR0109- Devolution: Progress on Essex's devolution ambitions remains contingent on local and national political decisions, following the Government's announcement to defer mayoral elections until 2028. ECC, Southend and Thurrock have now agreed to postpone activities until after the May 2026 Local elections. This means there is uncertainty about the scale, timing and scope of devolution and the establishment of the Greater Essex Combined Authority, which limits ECC's ability to plan confidently for delivery, long-term investment and structural / system reform. The current pause potentially increases strategic risk for ECC, potentially weakening influence with government and partners, slower progress on shared outcomes and internal resource decisions, and reduces the council's ability to influence the emerging governance landscape across Greater Essex. Owner: TBC	6 3, 2	2 2, 1

Essex County Council

Internal Audit

Internal Audit

- **Provides independent and objective assurance regarding internal controls and encourages management take action to remedy any control weaknesses**

- **Report to the Audit Governance and Standards Committee**

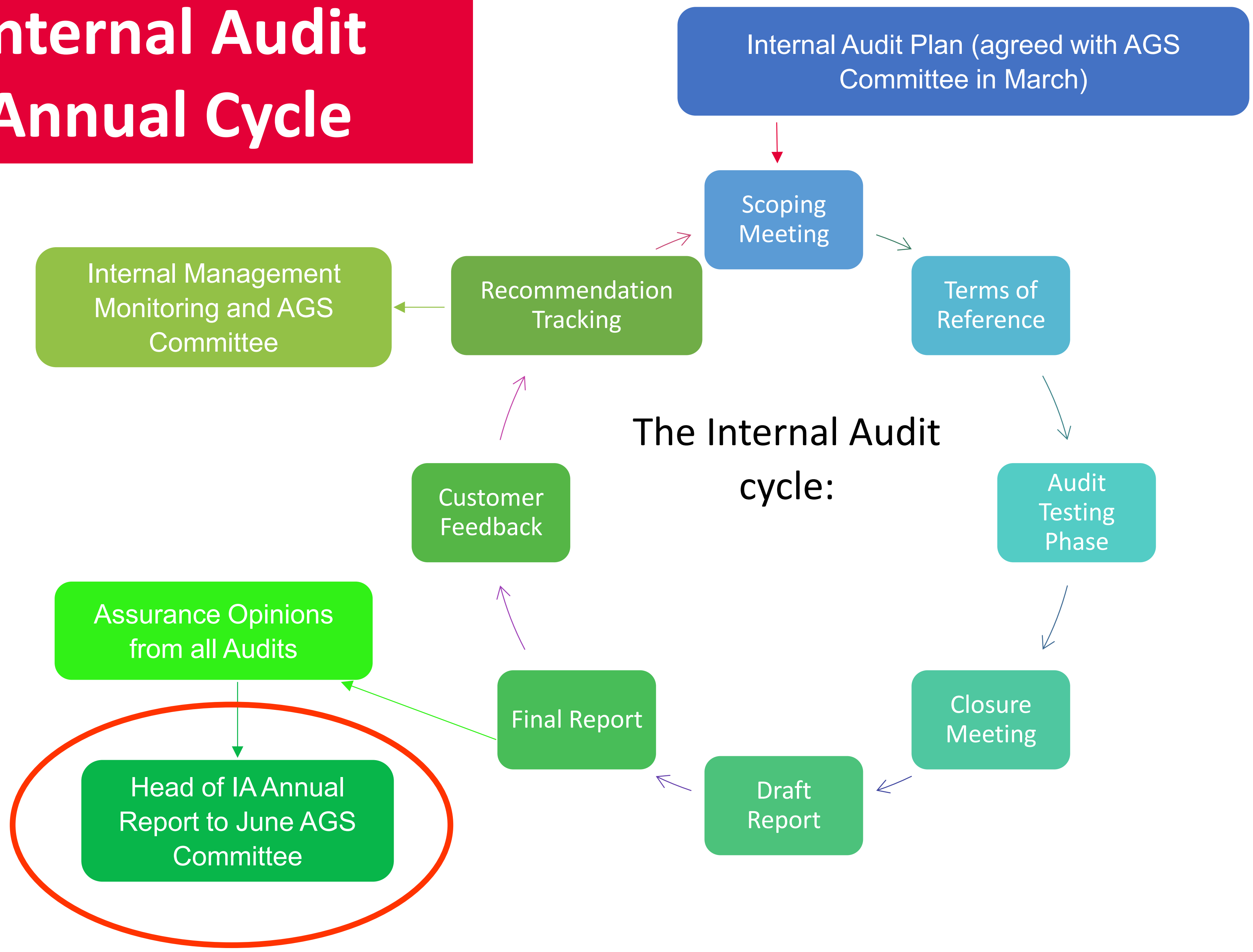
- **Help to drive continuous improvement – especially in the areas of:**
    - internal control processes
    - risk management
    - governance

- **Internal audit are not just about compliance and do not just focus on financial risks and controls.**

- **The Global Internal Audit Standards are clear that Audit should also play an advisory/consultative role alongside our assurance work.**

- **Management are ultimately responsible for the systems of risk management and control**

Internal Audit Annual Cycle



Internal Audit and Counter Fraud Plan

How does the AGS committee know we are auditing the right things?

We have unrestricted access to, and can audit, ***anything*** but we cannot audit ***everything***.

So how do we decide what goes in the IA and CF Plan each year?

- Coverage must be comprehensive enough to enable us to reach our end of year opinion on the control environment, governance and risk management.
- Some things we must review each year, e.g. key financials.
- Risk based – taking into account: the councils risk profile, corporate importance, vulnerability, organisational concerns, control failures in previous year
- Key stakeholder engagement / networking throughout the year – corporate knowledge
- Horizon scanning
- Other sources of assurance
- The Plan is dynamic and flexible

Summary Internal Audit and Counter Fraud Plan - by Function

** Cross functional*

Corporate Services

- Key Financial Systems *
- Procurement *
- Microsoft M365 Suite *
- Storm Telephony Project Management *
- Contract Oversight / Supplier Management*
- Manager-Supported HR Casework Processes
- Equality, Diversity and Inclusion
- Essex Pension Fund – Governance & Investments
- Essex Pension Fund – Funding Strategy & Valuation
- Risk Management *
- Worker Protection Act & Employment Rights Act: Workplace Protection Compliance *
- Sundry Debt (Accounts Receivable) Refunds and Provider Onboarding
- Business Rates Reset & Collection Risk
- Council Tax Collection Sustainability & Hardship Risk
- Consolidated Grants Assurance * (Children's / Public Health / Homelessness)
- Compliance with Contractual Payment Terms *
- Fraud Controls in Project Governance (including Fraud Prevention Duty) *
- IT - Digital Strategy, Policy Development & Governance
- IT - Digital Leadership, Coordination & Governance
- IT - Digital Estate, Shadow IT, and Technology Discovery (Cyber & Financial Risk)
- IT - Modern Digital Transformation Platform (Capability Gaps & Organisational Readiness)
- Programme and Project Governance & Decision-Making Integrity

Policy & Economy

- Trading Standards
- Strategic Partnerships*
- Document Storage & Records Office (Follow-Up)
- Essex Housing Governance
- Building Safety Act
- SELEP Residual Issues
- Estate Management

Adult Social Care (incl. Public Health)

- Better Care Fund (BCF)
- Section 75 Arrangements Between ECC and EPUT
- CHC Invoicing *
- Commissioning Assurance
- Connect for Work Grant
- Financial Advice Compliance *
- Member Enquiries *

Children, Families & Education

- Schools Financial Value Standard (SFVS)
- Schools (establishment visits)
- Schools (thematic review)
- Schools VAT Changes / Property Risks
- Foster Care Payments & Construction Spend
- Transitional Safeguarding
- Essex Dance Studio
- Legislative & Policy Change Readiness (Advisory)
- Placement Changes – Recording Accuracy & Payment Integrity

Climate, Environment & Customer Services

- Coroner's Processes
- Highways Procurement (Live Assurances) *
- Utilities, Permits & Road Closures – Network Coordination, Compliance & Financial Impact

Overarching Areas

- Root Cause Analysis *
- Advisory Work *
- Follow-Up *

Local Government Reorganisation (LGR) – Internal Audit will provide dynamic assurances and act as critical friend during transition. The Audit Plan will be flexible given the uncertainty and risks associated with the Government's minded-to decision on LGR

Pro-active preventative, detective fraud work and investigations

Assistant Director: Assurance Annual Opinion on the Council's internal control, governance and risk management

Internal Audit Reporting

When Audit work is completed actions are raised if improvements are needed or controls are inadequate. These are graded according to priority and agreed with management.

The audit overall is given an assurance opinion based on the evidence found by the auditor.

Action Gradings
Critical
Major
Moderate
Low

Overall Assurance Opinion
No
Limited
Satisfactory
Good

Action Tracking

Timely implementation of agreed actions is a key measure of the success of Internal Audit

- Each agreed action has an owner and an agreed date for implementation
- All actions are tracked until fully implemented
- Overdue actions are reported corporately in the Corporate Performance Report and to the AGS Committee
- Members can invite action owners to the AGS Committee if there is a lack of engagement or write to action owners

Essex County Council

Counter Fraud

Internal Audit & Counter Fraud Annual Report (and Chief Audit Executive Opinion)

Culmination of a year's work in delivering the Internal Audit and Counter Fraud Plan – individual audits, advisory work, significant control failures, external assurances are all taken into account.

Opinion has to be on governance, internal control and risk management arrangements

Presented to AGS Committee in June each year and forms part of the Annual Governance Statement.

Overall opinion has been 'Satisfactory' for a several years now which given the pace of change and financial challenges is a significant achievement. The opinion is a snapshot in time and can only ever be based on what we know.

What is Fraud?

Any **intentional false representation**, including failure to declare information or abuse of position, that is carried out to make gain, cause loss or expose another to the risk of loss

Three main ways of committing fraud, established by the **Fraud Act 2006:**

- False representation
- Failure to disclose information
- Abuse of position

CIPFA COUNTER FRAUD CENTRE

ActionFraud
Report Fraud & Internet Crime
actionfraud.police.uk

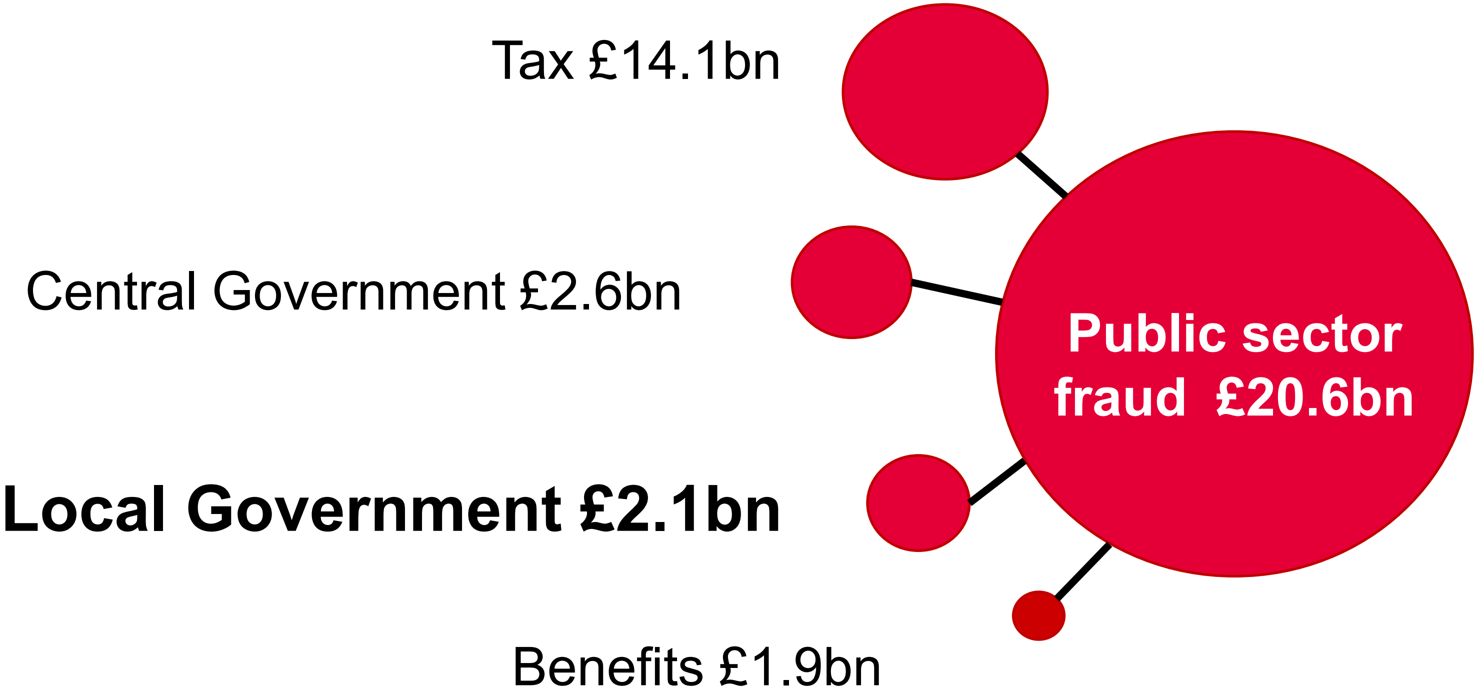
SFO serious fraud office

Essex County Council

Fraud costs…

Losses to UK economy estimated to be £52 billion

Losses of £20.6 billion in the public sector.



Essex County Council

Fraud Risk Areas Affecting ECC.

- Social Care - Personal Budgets & Individual Service Funds
- Procurement/contract
- Grant Claims
- Deprivation of Assets /Capital – to avoid contributions to care
- Employee dishonesty
- Phishing & Mandate Fraud
- Insurance Claims

How is Fraud Discovered?

- Internal & External Audit
- Staff / Staff Changes/Management Checks
- Whistleblowing (Internal) / Informants (External)
- Data matching initiatives.
- Technology
- Control framework
- Confessions

Fraud related work

Prevent

- Financial Controls
- Support services with control design.
- E-learning modules
- Bespoke training for high-risk areas
- Involvement with projects and initiatives (control design)
- Internal Audit Activity

Detect

- Compliance teams & management checks
- National Fraud Initiative – mandatory & hub
- Pan Essex data matching projects
- Internal data matching activity
- Whistleblowing, online tip offs
- Audits

Investigate

- Trained Investigators in the team
- Work within PACE and CPIA
- Approx 150 referrals received each year
- Work with other organisations e.g.Police, DWP
- Work with ELS in the event of potential prosecutions
- Work with HR

Sanctions & Outcomes

- Prosecutions (ECC led)
- Referral to Police
- Disciplinary action / dismissal
- Civil Financial recovery
- Criminal Financial Recovery (Proceeds of Crime)
- Remedial action to prevent similar occurrences
- Withdrawal of service / Blue Badge / Payments

Essex County Council

Any Questions?

For further Information please get in touch….

Paula Clowes, Assistant Director: Assurance
Karen Gooch, Risk and Insurance Manager
Stuart Coogan, Strategic Internal Audit Manager
Karen Bellamy, Counter Fraud Manager

Protecting the Public Purse **Going Beyond Compliance** **Delivering Strategic Value**

Essex County Council

Further development opportunities and next steps

ECC Briefings

CIPFA Webinars

- Councillors Guide to Understanding Local Authority Accounts – 25 August, 9.30am-12.30pm and 10 September 2026, 9.30am-12.30pm
- Introduction to Internal Audit – 15 September 2026, 1-4pm
- Introduction to the Knowledge and Skills of the Audit Committee – 17 September 2026, 10-4pm

CIPFA Written Guidance: The Audit Committee Member in a Local Authority

LGA Webinars

- An introduction to local government finance, Wednesday 14 October 2026, 6-7.30pm
- An introduction to financial governance, 22 September, 10am-1pm and 8 October 2026, 10am-1pm OR 12 November, 10am-1pm and 3 December 2026, 10am-1pm