Report title: Internal Audit and Counter Fraud Progress Report	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes – Head of Assurance	
Date: 17 September 2018	**For:** Discussion
Enquiries to: Paula Clowes – Head of Assurance paula.clowes@essex.gov.uk	
County Divisions affected: All Essex	

1.   Purpose of Report

1.1   This report provides the Audit, Governance and Standards Committee with the current position regarding Internal Audit and Counter Fraud activity in relation to the 2017/2018 Internal Audit Plan (approved by the former Audit Committee in March 2017) and 2018/19 Internal Audit Plan (approved by the Audit Governance and Standards Committee in March 2018). It reflects the situation as at 5 September 2018.

2.   Recommendation

2.1   That the report be noted**.**

3.   Details of Internal Audit and Counter Fraud Activity

3.1   Final Internal Audit Reports Issued

3.1.1   When Internal Audit issues a report it gives an overall assurance rating which is either 'Good' 'Adequate' 'Limited' or 'No' Assurance. The final reports issued since the March 2018 Audit Governance and Standards Committee are listed below. Executive Summaries for those reports receiving 'Limited Assurance' or 'No Assurance' are set out in Appendix 2. Full reports are available to Members on request.

No	• Essex Partnership University NHS Foundation Trust

Limited	• Off Payroll Engagement (IR35) • Budget Monitoring • Social Media • Social Care Case Management System • Declarations of Interest • IT Asset Management • Engaines Primary and Nursery School • ECC Companies – follow up • User Access Management • Absence Management

Adequate	• South East Local Enterprise Partnership • Health and Safety Assurance Map • Information Governance • Elm Hall Primary School • Risk Management • Early Years Provision • Hazelmere Infant and Nursery School • Oracle Integrated Assurance * • Procurement • Contract Management • Resource Utilisation – Workforce Planning (Adults) • Personal Budgets (Adults) – Direct Payments

Good	• Better Care Fund • Pensions Investment • Pensions Administration • Prettygate Junior School • Treasury Management

Other	• SPONGE – Interreg Grant • Carbon Reduction Commitment Energy Efficiency Scheme • Pre Birth to 19 Years – health check review • Department for Transport Bus Service Operators Grant • PROFIT - Interreg Grant • SELEP

* Oracle Integrated Assurance - This work assessed the controls within Accounts Receivable, Accounts Payable, Payroll, General Ledger, 'iExpenses', cash receipting and the various reconciliations and interfaces between TCS modules and between TCS and other systems including the bank account.

3.2   Review of the 2018/19 Internal Audit Plan

3.2.1 At the end of September 2018, the Head of Assurance will carry out a full half year review of the Audit Plan with any required changes being reported to the Executive Director of Corporate and Customer Services (section 151 officer) and the Audit, Governance and Standards Committee in December 2018.

**3.3   Implementation of Internal Audit Recommendations**

3.3.1 Whenever any recommendations are made in an audit report, Managers are asked to agree what activity they will undertake to address the recommendation and to agree a timescale for implementation

3.3.2 Progress on the implementation of recommendations is monitored by the Internal Audit service.

3.3.3 Critical or Major recommendations which have not been implemented within the agreed timescale are reported to the Audit, Governance and Standards Committee.   Reports on outstanding recommendations are provided to Functional Leadership Teams (FLT) quarterly.

3.3.4 As at 30 August 2018 there were 5 Critical and 32 Major recommendations open, of which 5 Critical and 7 Major recommendations have moved beyond their agreed due date. See Appendix 3 for further detail.

3.3.5 The current assessment rationale for grading the priority of recommendations made and the level of assurance (audit opinion) for each individual audit review is attached at Appendix 1.

3.4   Counter Fraud Activity

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

Fraud Referrals

3.4.2 During the period 1 April to 31 August 2018 126 fraud referrals were received (including blue badge referrals). The table below shows how this compares to the same period last year and demonstrates that the number of referrals received this year is consistent with the previous year (131 referrals received during the same period last year). There has been a slight decrease in the number of social care and blue badge referrals. Scheduled fraud awareness training sessions in these areas may increase the referrals received.
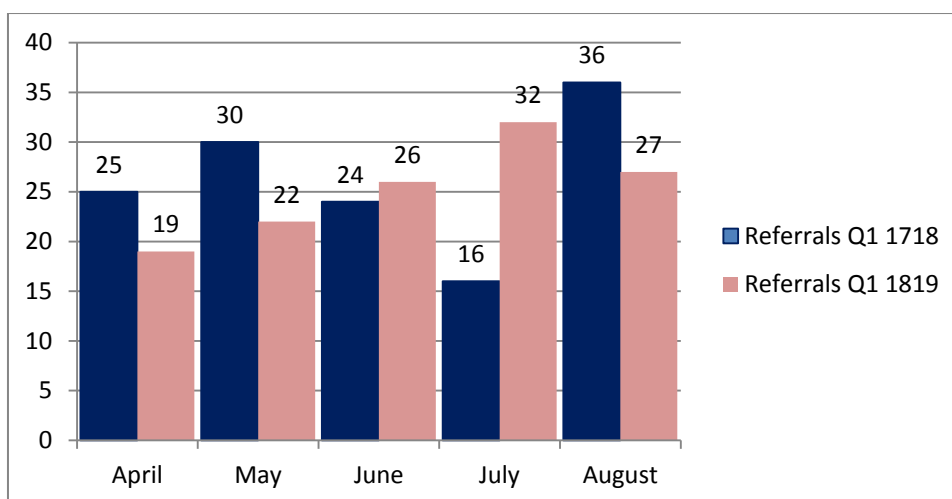
Types of Referrals

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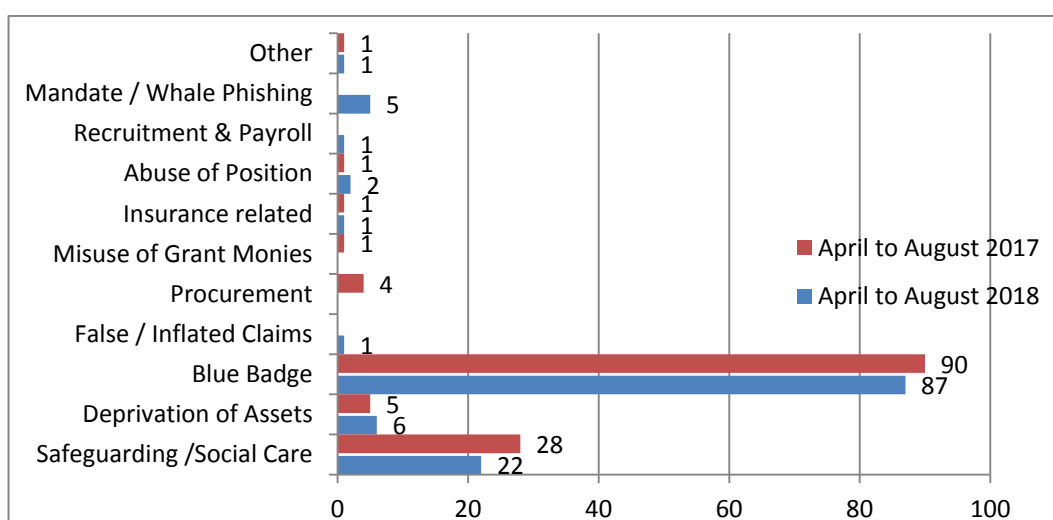
Internal Data Matching

3.4.4 In May 2018 the Counter Fraud team started an **internal data matching exercise**, focussing on Adult Social Care data. Adult Social Care payments have been recognised nationally as a significant fraud risk to local authorities who have reported significant fraud losses[1]. The objective of this data matching exercise is to:

- Identify and rectify duplicated packages – i.e. open domiciliary & residential care packages (where a cash payment is being made)
- Identify and stop payments that are being paid to service users who are deceased

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[1] http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker

- Identify and stop payments that are being made to service users who are in receipt of health funding (and no longer entitled to social care funding)

3.4.5 This project is in its infancy but early results suggest that significant savings and recoveries can be realised using this approach. Investigation work is ongoing, although savings of **£57,256** were identified in quarter 1.

Essex Council Tax Data Matching Initiative

3.4.6 The Council is supporting an Essex-wide data matching project that involves all councils providing data to ensure that income received from council tax is maximised. ECC provides data sets to support the data matching which is now undertaken on a monthly basis and the Counter Fraud Team provides support to districts in dealing with the output. Total savings recorded to date (from July 2017) are **£692,122**.

Fraud Awareness Training

3.4.7 The Council re-launched the corporate e-learning in 2017. At present, 83% of all ECC staff have completed the e-learning modules relating to:
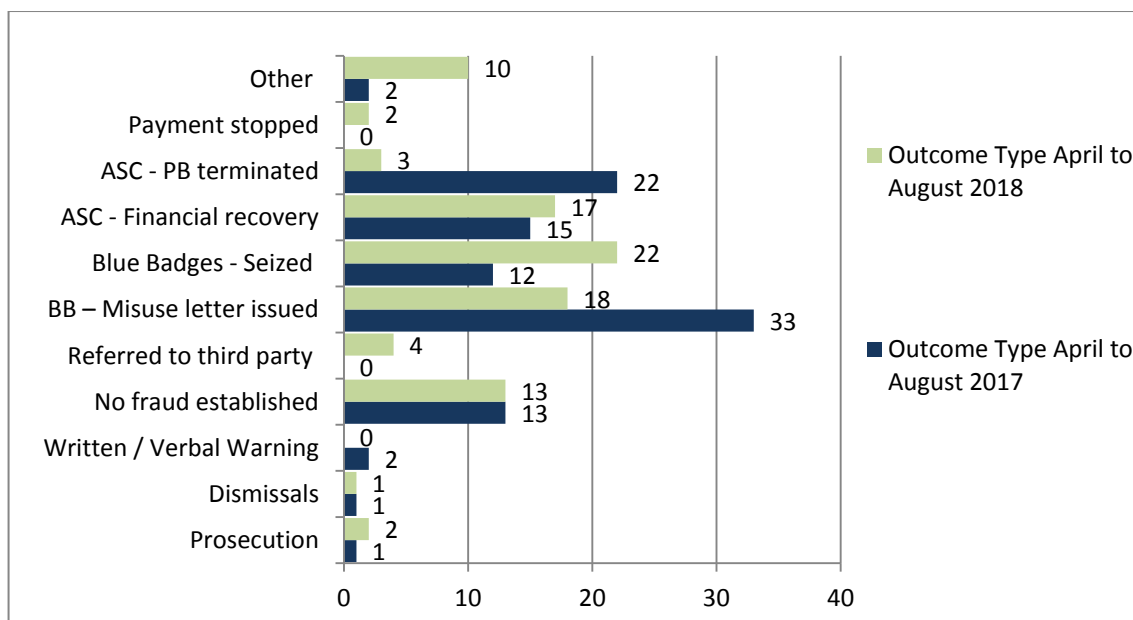
- Anti-fraud and corruption
- Anti-bribery and money laundering.

3.4.8 In addition, the Counter Fraud Team have scheduled fraud awareness sessions for the following teams:

- Executive Support
- Children and Families Social Care
- Civil Enforcement Officers - ie those who enforce parking and other traffic contraventions.

Outcomes

3.4.9 During the period April to August 2018 , the following outcomes and sanctions have been achieved:

Chart showing Outcome Type April to August 2018 (light green) and Outcome Type April to August 2017 (dark blue):

Outcome	April to August 2018	April to August 2017
Other	10	2
Payment stopped	2	0
ASC - PB terminated	3	22
ASC - Financial recovery	17	15
Blue Badges - Seized	22	12
BB – Misuse letter issued	18	33
Referred to third party	4	0
No fraud established	13	13
Written / Verbal Warning	0	2
Dismissals	1	1
Prosecution	2	1

Blue Badge Prosecution

3.4.10 With the assistance of Essex Legal Services, the first in-house prosecution in relation to blue badge misuse was completed. The culprit pleaded guilty to two offences:

1. Using a blue badge when they were not the badge holder – the badge holder was deceased; and
2. Failing to surrender the badge for inspection.

The defendant was fined £125 for each offence and ordered to pay £500 towards the Council's costs.

Fundamental Dishonesty Claim

3.4.11 The Counter Fraud Team were involved in a case where the Council was sued by an individual who claimed to have been injured after tripping on the highway where tree roots had raised the tarmac. After investigation it emerged the claimant's injuries were actually sustained when a friend jumped on his back. Despite the claimant arguing his case in court, a judge made a finding of fundamental dishonesty against the claimant and did not award any of the £4,000 compensation he was claiming.

Financial Recoveries

3.4.12 In addition to the savings identified during the data matching exercise, this period **£24,028** was recovered related to fraud matters and a further **£113,172** was identified and in the process of being recovered.

3.4.13 It is estimated that **£307,424** future losses were prevented. These 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).

3.4.14 Notional savings of £12,650 have been identified as 22 expired blue badges have been taken out of circulation, each badge being attributed a value of £575 (figure determined by the Cabinet Office).

4. Financial Implications

4.1 There are no financial implications as the Internal Audit and Counter Fraud activity 2018/2019 will be met within existing resources.

5. Legal Implications

5.1 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. Equality and Diversity Implications

6.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:

(a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
(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.

6.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. Equality and diversity matters have been considered in the production of the progress report.

7. **List of Appendices**

   Appendix 1 - Current assessment rationale for grading the priority of recommendations in Internal Audit reports.
   Appendix 2 - Executive Summaries of 'Limited Assurance' and 'No Assurance' Internal Audit reports.
   Appendix 3 – Critical and Major Recommendations which are overdue for implementation as at 30 August 2018
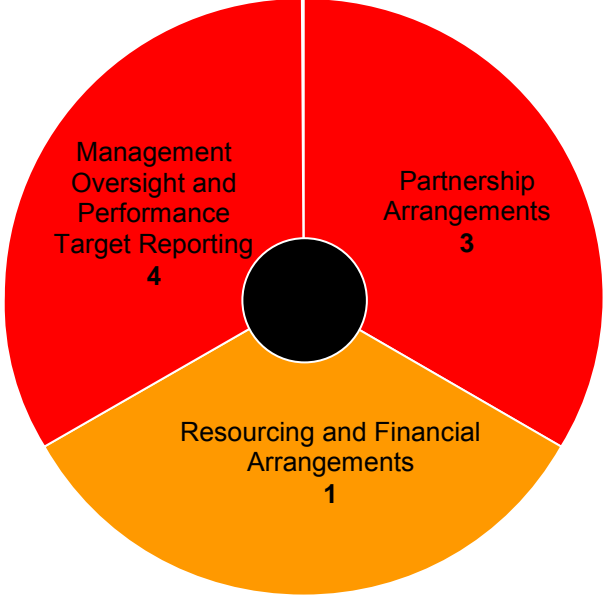
8. **List of Background Papers**

   Internal Audit reports

Internal Audit Assessment Rationale

Risk rating	Assessment rationale
● Critical	Critical and urgent in that failure to address the risk could lead to one or more of the following occurring: ▪ 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 ***Remedial action must be taken immediately***
● Major	Major in that failure to address the issue or progress the work would lead to one or more of the following occurring: ▪ 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 ***Remedial action must be taken urgently***
● Moderate	Moderate in that failure to address the issue or progress the work would lead to one or more of the following occurring: ▪ 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. ***Prompt specific action should be taken***
● Low	Low in that failure to address the issue or progress the work would lead to one or more of the following occurring: ▪ 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. ***Remedial action is required***

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 mitigated by significant strengths elsewhere.
Adequate	***Adequate 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

Final Internal Audit Report 2018/19 – Essex Partnership University Trust (EPUT) - (ASC16)

1. Executive Summary

Function: Adult Social Care
Audit Sponsor: Nick Presmeg, Director, Adult Social Care
Distribution List: Nick Presmeg, Fiona Davis, Director Safeguarding and Quality Assurance (ASC)**; Chris Martin,** Director Strategic Commissioning; **Emily Oliver,** Head of Commissioning Vulnerable People; **Matthew Barnett**, Mental Health Commissioner; **Jennifer Mellani,** Assistant County Solicitor; **Giles Goodeve,** Service Manager, Adult Social Care - Quality Assurance, **David Williams,** Senior Operational Policy Advisor; **Margaret Lee,** Executive Director for Corporate and Customer Services; **Gavin Jones,** Chief Executive Officer, Cllr **David Finch**, Leader of the Council; **Cllr John Spence**
Final Report Issued: 4 September 2018
Date of last review: N/a

Overall Opinion

NO ASSURANCE 🛑

Direction of Travel

This area has not been audited before

Number of Control Design Issues Identified

- **2** Critical
- **1** Major
- **0** Moderate
- **0** Low

Number of Control Operating in Practice Issues Identified

- **1** Critical
- **2** Major
- **2** Moderate
- **0** Low

Number of Recommendations

- **8** Made
- **0** Rejected
- **0** Critical Rejected
- **0** Major Rejected

Scope of the Review and Limitations: The objective of the audit was to evaluate the Section 75 Partnership Agreement between ECC and the Essex Partnership University NHS Foundation Trust (EPUT) for the integrated provision of mental health and substance misuse services for working age adults. The audit focussed on the high level controls in place only and did not include detailed testing. It is not therefore a definitive list of all improvements that are required.
The audit did not review or comment on the quality of care provided by EPUT which is covered separately by the Care Quality Commission's inspection regime.

Key Messages

This audit was carried out **at the request of the Director, Adult Social Care** following concerns about the effectiveness and working practices of the Section 75 Partnership arrangement with EPUT. The agreed Terms of Reference can be seen at Appendix 1.

Three critical issues have been identified relating to lack of clarity over:

- future commissioning intentions, contingency arrangements and exit/transition plans as the current Partnership Agreement ceases on 31 March 2019
- service delivery standards, policies and practice between ECC and EPUT with key performance measures that are not robust; and
- safeguarding referral pathways and safeguarding incidents.

It is acknowledged that the effective delivery of mental health services is a national and not just a local issue and that significant project management support together with strong leadership will be required to ensure the issues identified in this report are satisfactorily resolved.

In addition, EPUT have recently undergone a number of CQC inspections. Any improvement plans arising from these will need to be considered alongside our audit findings.

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

Management Oversight and Performance Target Reporting **4**

Partnership Arrangements **3**

Resourcing and Financial Arrangements **1**

🟥 Critical priority Control Design or Control Operating in Practice issues identified

🟧 Major priority Control Design or Control Operating in Practice issues identified

🟨 Moderate priority Control Design or Control Operating in Practice issues identified

🟩 No / Minor Control Design or Control Operating in Practice Issues identified
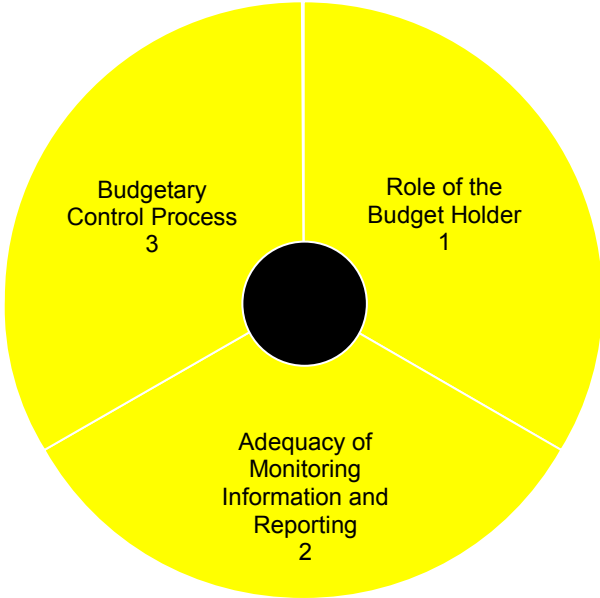
Essex County Council

Final Internal Audit Report 2017/18 – ECC 1718 COR03 Off-Payroll Engagements ('IR35 rules')

1. Executive Summary

Function: Corporate and Customer Services / Organisational Development and People **Audit Sponsor: Margaret Lee,** Executive Director for Corporate and Customer Services / **Pam Parkes**, Director for Organisational Development and People **Distribution List: Margaret Lee; Pam Parkes; Emma Sayers**, Head of Advice, Resourcing and Performance; **Natalie Quickenden,** Resourcing Manager; **Nicole Wood,** Director for Finance and Procurement; **Melanie Evans**, Head of Procurement; **Laura Georgiou;** Senior Payments Manager; **Gavin Jones**, Chief Executive; **Cllr. Finch**, Leader of the Council; **Cllr. Barker,** Cabinet Member for Customer and Corporate; **Dan Cooke,** External Audit **Final Report Issued: 22 May 2018** **Date of last review:** Not previously reviewed	**Overall Opinion** **LIMITED ASSURANCE** ⬤ **Direction of Travel** N/A as no prior audits have been undertaken in this area	**Number of Control Design Issues Identified** **0** Critical **1** Major **5** Moderate **1** Low	**Number of Control Operating in Practice Issues Identified** **0** Critical **0** Major **1** Moderate **1** Low	**Number of Recommendations** **9** Made **0** Rejected **N/A** Critical Rejected **0** Major Rejected

Scope of the Review and Limitations:	This audit assessed whether there are sufficient and consistently applied controls to: • correctly determine whether engaged resources are to be treated as in or out of scope of the IR35 rules at the outset of the engagement ;and • ensure there is evidenced assurance that the worker then works in a manner consistent with their in or out of scope assessment. This audit also assessed whether ECC has appropriate strategic direction on how to manage the impact of the IR35 rules and also exploit its opportunities. **Limitation: Internal Audit itself did not form any judgement of whether specific engagements have been correctly determined as in or out of scope and did not undertake any testing to specifically conclude whether out of scope workers complied with that status in practice. The audit approach for these matters was to assess whether HR consistently used the HMRC online tool to determine the in or out of scope status and whether there were effective processes for HR to receive evidenced assurance that out of scope workers have operated in a manner consistent with that status.**

Critical and Major Findings and Recommendations

The audit confirmed there are appropriate controls in the recruitment process to use the online HMRC assessment tool to determine the in or out of scope status of each relevant worker before the engagement starts.

The audit's major priority recommendation is to further enhance processes around documenting and agreeing with all out of scope workers how the engagement will operate in practice specifically in regard to the IR35 criteria used by HMRC to determine workers' status.

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

🟥 Critical priority Control Design or Control Operating in Practice issues identified

🟧 Major priority Control Design or Control Operating in Practice issues identified

🟨 Moderate priority Control Design or Control Operating in Practice issues identified

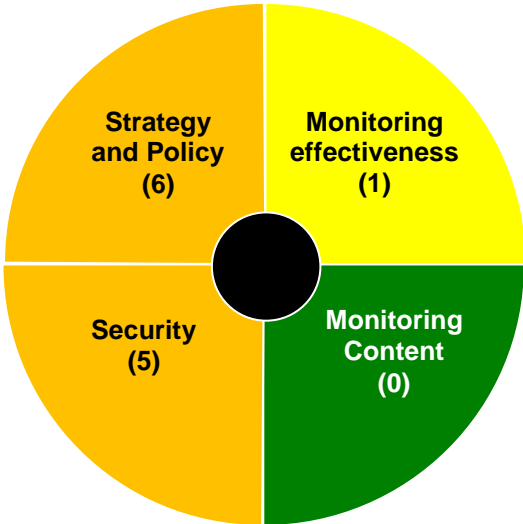🟩 No / Minor Control Design or Control Operating in Practice Issues identified

Final Internal Audit Report 2017/18 – Budget Monitoring (KF3)

1. Executive Summary

Function: Corporate and Customer Services

Audit Sponsor: **Nicole Wood –** Director, Finance and Procurement

Distribution List: Nicole Wood; Tina French - Head of Strategic Finance and Insight; **Christine Golding** - Chief Accountant; **Margaret Lee** – Executive Director Corporate and Customer; **Vernon Strowbridge** – Head of Purchase to Pay and Income; **Helen Gisby** - Finance Systems and Processes Manager; **Helen Chittock** and **Peter Sharples** – Financial Controllers; **Gavin Jones** – Chief Executive; **Councillor Finch** – Leader of the Council; **Councillor McKinlay** – Cabinet Member for Finance, Commercial and Traded Services; **Dan Cooke,** EY (External Audit)

Final Report Issued: July 2018
Date of last review: March 2017

Overall Opinion

LIMITED ASSURANCE

Direction of Travel

The control environment has deteriorated since our last audit.

Number of Control Design Issues Identified

0	Critical
0	Major
1	Moderate
0	Low

Number of Control Operating in Practice Issues Identified

0	Critical
0	Major
5	Moderate
0	Low

Number of Recommendations

6	Made
1	Rejected
N/A	Critical Rejected
N/A	Major Rejected

Scope of the Review and Limitations: The audit reviewed the high level mitigation of risks associated with budget monitoring.
Budget setting and medium term financial planning are not included within the scope of this review.

Critical and Major Findings and Recommendations

There are no critical or major recommendations within this report.

Budgetary Control Process 3

Role of the Budget Holder 1

Adequacy of Monitoring Information and Reporting 2

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

Critical priority Control Design or Control Operating in Practice issues identified

Major priority Control Design or Control Operating in Practice issues identified

Moderate priority Control Design or Control Operating in Practice issues identified

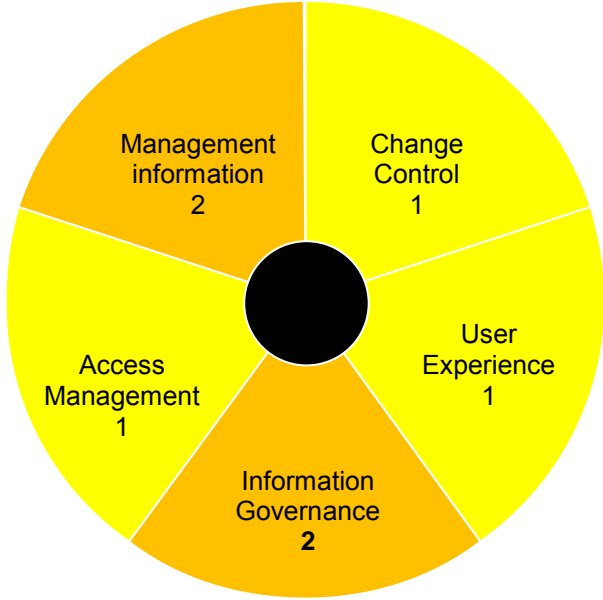No / Minor Control Design or Control Operating in Practice Issues identified

Essex County Council

Final Internal Audit Report 2017/18 – Social Media (COR04)

1. Executive Summary

Function: Corporate Development

Audit Sponsor: Richard Puleston, Director for Strategy, Insight and Engagement

Distribution List: Richard Puleston; Jason Kitcat, Executive Director for Corporate Development; **Margaret Lee,** Executive Director for Corporate and Customer Services; **Andy Allsopp,** Head of Profession: Communications and Marketing; **Paul Turner**, Director of Legal and Assurance, **Joanna Boaler,** Head of Democracy and Transparency; **Karen Yates and Jessica Baldwin,** Communications and Marketing Managers; **Janet Tindall**, Head of Payroll; **Karen Earl**, People Relations Consultant; **Gavin Jones,** Chief Executive; **Cllr. Finch,** Leader of the Council; **Cllr. Barker,** Cabinet Member for Corporate and Customer; **Dan Cooke,** External Audit

Final Report Issued: 22 June 2018

Date of last review: No previous coverage

Overall Opinion

LIMITED ASSURANCE 🟠

Direction of Travel

Not applicable as there has not been comparative previous coverage

Number of Control Design Issues Identified

0	Critical
2	Major
6	Moderate
0	Low

Number of Control Operating in Practice Issues Identified

0	Critical
1	Major
2	Moderate
1	Low

Number of Recommendations

12	Made
0	Rejected
N/A	Critical Rejected
0	Major Rejected

Scope of the Review and Limitations: This audit assessed whether there was a clear policy framework to direct use of social media, effective processes to monitor online content and the outcomes of use of social media, and the arrangements to ensure social media accounts and the data therein are secure.
Limitation: this audit's scope does not include assessing the arrangements to comply with the Regulation of Investigatory Powers Act or the use of social media and web content for monitoring service users or staff for surveillance purposes in order to prevent or detect crime.

Critical and Major Findings and Recommendations

Major recommendations have been raised to further improve:

- awareness of the nature of any new types of activity through social media applications so information governance requirements are proactively identified and met
- password and security controls
- the movers and leavers process

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

🟥 Critical priority Control Design or Control Operating in Practice issues identified

🟧 Major priority Control Design or Control Operating in Practice issues identified

🟨 Moderate priority Control Design or Control Operating in Practice issues identified

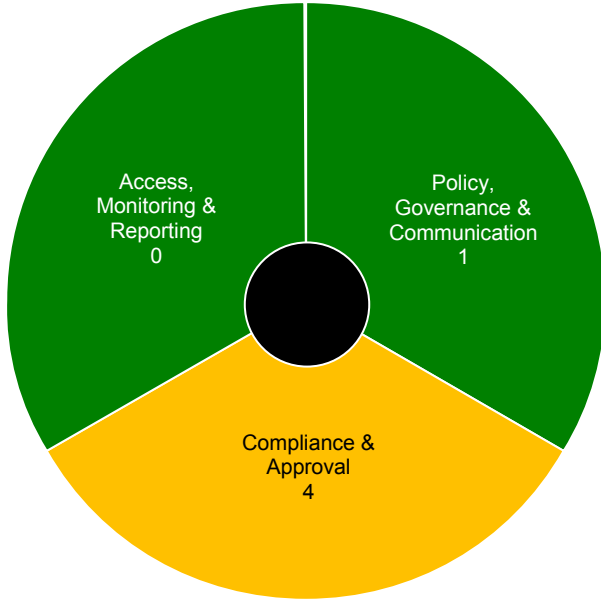🟩 No / Minor Control Design or Control Operating in Practice Issues identified

Essex County Council

Final Internal Audit Report 2017/18 – Social Care Case Management System (C4)

1. Executive Summary

Function: Children & Families and Adult Social Care

Audit Sponsor: Helen Lincoln - Executive Director, Children, Families and Education

Distribution List: Helen Lincoln; Jason Kitcat, Executive Director Corporate Development; **Nick Presmeg –** Director, Adult Social Care; **Sukriti Sen –** Director Local Delivery, Children and Families; **Simon Froud –** Director Local Delivery, Adults; **Tracey Kelsbie-** Head of IS Delivery; **Mark Adams- Wright-** Director of Technology Operations; **Paul Aldred-** Commissioning Manager; **Shaun Lancaster -** Head of Operational Systems and Development; **Joanna Boaler** - Head of Democracy & Transparency; **Margaret Lee** – Executive Director, Corporate and Customer; **Melanie Evans** – Head of Procurement; **Chloe McSweeney –**Head of Operational Systems & Development; **Chris Martin –** Director Strategic Commissioning and Policy ; **Gavin Jones**, Chief Executive Officer; **Cllr David Finch; Cllr John Spence; Cllr Dick Madden; Cllr Louise McKinlay; Dan Cooke,** Ernst & Young (External Audit)

Final Report Issued: June 2018

Date of last review: None

Overall Opinion

LIMITED ASSURANCE ⬡

Direction of Travel

There have been no prior audits in this area. — N/A

Number of Control Design Issues Identified

- **0** Critical
- **2** Major
- **3** Moderate
- **0** Low

Number of Control Operating in Practice Issues Identified

- **0** Critical
- **1** Major
- **1** Moderate
- **0** Low

Number of Recommendations

- **7** Made
- **0** Rejected
- **N/A** Critical Rejected
- **tbc** Major Rejected

Scope of the Review and Limitations:

The audit reviewed controls over the Social Care Case Management System in relation to the risk areas identified below.

Two separate reviews IT Operations: Back-ups (Audit Plan ref ICT5 1718) and IT Disaster Recovery (ICT8 1718) have been planned and therefore excluded from this audit. Contract management was not reviewed as this has been audited separately (COR05 1617).

Critical and Major Findings and Recommendations

There are three major recommendations within this report relating to Information Governance and Management information.

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

- 🟥 Critical priority Control Design or Control Operating in Practice issues identified
- 🟧 Major priority Control Design or Control Operating in Practice issues identified
- 🟨 Moderate priority Control Design or Control Operating in Practice issues identified
- 🟩 No / Minor Control Design or Control Operating in Practice Issues identified

Management information 2 | Change Control 1 | User Experience 1 | Information Governance 2 | Access Management 1

Final Internal Audit Report 2017/18 – Declarations of Interest (Members and Officers) (COR2)
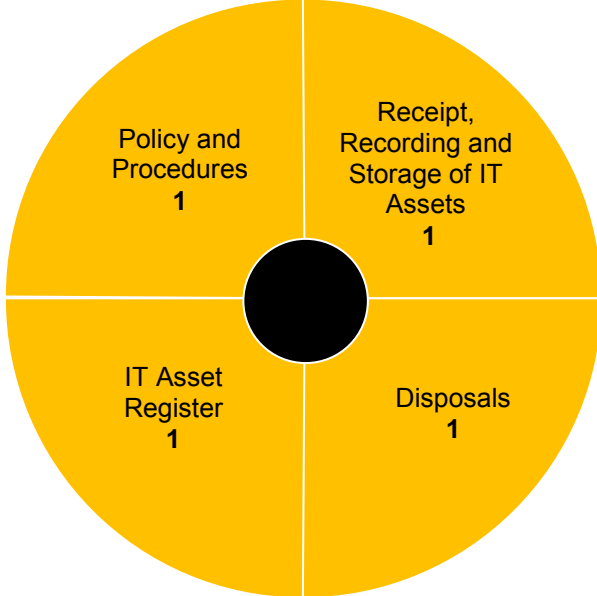
1. Executive Summary

Function: Corporate and Customer Services / Organisation Development and People
Audit Sponsors: Pam Parkes, Director Organisation, Development and People; **Paul Turner,** Director for Legal and Assurance and Monitoring Officer
Distribution List: Pam Parkes; **Paul Turner**; **Margaret Lee**, Executive Director for Corporate and Customer Services; **Sam Tucker**, Senior Resource Consultant; **Joanna** Boaler, Head of Democracy and Transparency; **Dan Cooke**, Ernst & Young (External Audit); **Cllr Louise McKinlay**, Cabinet Member Financial, Commercial and Traded Services; **Gavin Jones,** Chief Executive Officer; **Cllr David Finch**, Leader of the Council
Final Report Issued: June 2018
Date of last review: August 2016

Overall Opinion

LIMTED ASSURANCE

Direction of Travel

Control environment has deteriorated since our prior audit

Number of Control Design Issues Identified

0	Critical
1	Major
0	Moderate
0	Low

Number of Control Operating in Practice Issues Identified

0	Critical
0	Major
3	Moderate
1	Low

Number of Recommendations

5	Made
0	Rejected
N/A	Critical Rejected
N/A	Major Rejected

Scope of the Review and Limitations: The audit focussed on compliance with policies and monitoring arrangements. The South East Local Enterprise Partnership declaration process was not included in this review as it is being audited separately (Audit Plan ref. ECC COR16 1718).

Critical and Major Findings and Recommendations

There is one major issue identified during this review relating to declaration of interests of interims, consultants and agency workers.

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

Critical priority Control Design or Control Operating in Practice issues identified

Major priority Control Design or Control Operating in Practice issues identified

Moderate priority Control Design or Control Operating in Practice issues identified

No / Minor Control Design or Control Operating in Practice Issues identified
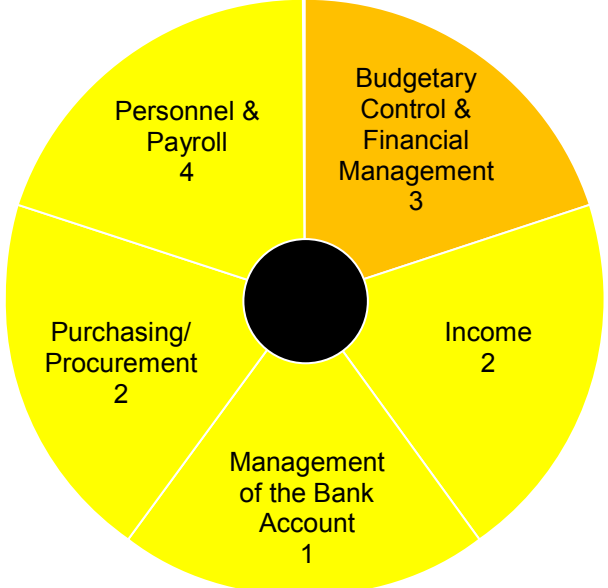
Access, Monitoring & Reporting 0

Policy, Governance & Communication 1

Compliance & Approval 4

Final Internal Audit Report 2017/18 – IT Asset Management (ICT4)

1. Executive Summary

Function: Corporate Development (TS)

Audit Sponsor: Mark Adams-Wright – Interim Director, Technology Services

Distribution List: Mark Adams-Wright; Jason Kitcat; Executive Director, Corporate Development; **Tracey Kelsbie –** Head of IS Service Delivery; **Steph Wood,** Senior Project Manager; **Margaret Lee**, Executive Director, Corporate & Customer Services; **Gavin Jones,** Chief Executive; **Cllr Finch**, Leader of the Council; **Cllr Barker**, Cabinet Member, Customer & Corporate, **Dan Cooke**, EY (External Audit)

Final Report Issued: June 2018

Date of last review: March 2017

Overall Opinion

LIMITED ASSURANCE ⬣

Direction of Travel

⬆

Control environment has improved since our prior audit

Number of Control Design Issues Identified

- ⓪ Critical
- ① Major
- ⓪ Moderate
- ⓪ Low

Number of Control Operating in Practice Issues Identified

- ⓪ Critical
- ③ Major
- ⓪ Moderate
- ⓪ Low

Number of Recommendations

- **4** Made
- **0** Rejected
- **N/A** Critical Rejected
- **0** Major Rejected

Scope of the Review and Limitations:	The objective of this audit was to assess the adequacy of the control environment and provide assurance in relation to asset management policy and procedures; receipt, recording and storage of IT assets; asset disposal and the IT asset register.

Critical and Major Findings and Recommendations:

The previous audit report issued in March 2017 received a Limited Assurance opinion with three major priority recommendations made and agreed. These related to:
- Maintaining an IT asset register
- Oversight of assets
- Decommissioning procedures

The current audit identified that some improvements have been made since the previous audit e.g. the process for recovering assets. However, solutions have yet to be implemented which sufficiently mitigate the risks identified. It should be noted that since the previous audit, Technology Services has been subject to organisational redesign. In addition a third party contractor closely involved with the asset management process went into liquidation.

Policy and Procedures **1**

Receipt, Recording and Storage of IT Assets **1**

IT Asset Register **1**

Disposals **1**

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

🟥 Critical priority Control Design or Control Operating in Practice issues identified

🟧 Major priority Control Design or Control Operating in Practice issues identified

🟨 Moderate priority Control Design or Control Operating in Practice issues identified

🟩 No / Minor Control Design or Control Operating in Practice Issues identified

Essex County Council

Final Internal Audit Report 2018/19 – Engaines Primary and Nursery School (E103)

1. Executive Summary
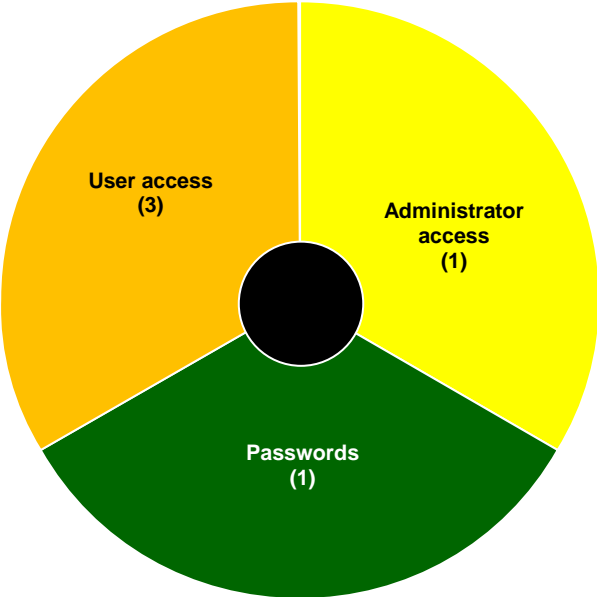
Function: Education

Audit Sponsor: Clare Kershaw, Director , Education

Distribution List: Clare Kershaw; Jackie Irwin, Headteacher; **Colin Steele,** Chair of Governors; **Margaret Lee,** Executive Director. Corporate & Customer Services; **Andrew Page,** Head of Finance; **Schools Finance Monitoring Team**; **Yannick Stupples-Whyley,** Finance Business Partner; **Jane Monaghan,** Review Consultant; **Cllr Ray Gooding**, Cabinet Member for Education and Skills.

Final Report Issued: July 2018
Date of last review: September 2011

Overall Opinion

LIMITED ASSURANCE ⬡

Direction of Travel

NA - the scope is not consistent with our prior audit

Number of Control Design Issues Identified		Number of Control Operating in Practice Issues Identified		Number of Recommendations	
0	Critical	0	Critical	12	Made
1	Major	2	Major	0	Rejected
2	Moderate	7	Moderate	N/A	Critical Rejected
0	Low	0	Low	0	Major Rejected

Scope of the Review and Limitations: The overall objectives of the audit were to ensure that an adequate control framework is in place to manage or mitigate the school's financial, fraud and governance risks.
The inventory was not tested. The register of business interests was not available for review.

Critical and Major Findings and Recommendations

There were 3 major findings and recommendations identified during this review.

Personnel & Payroll 4

Budgetary Control & Financial Management 3

Purchasing/ Procurement 2

Income 2

Management of the Bank Account 1

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

🟥 Critical priority Control Design or Control Operating in Practice issues identified

🟧 Major priority Control Design or Control Operating in Practice issues identified

🟨 Moderate priority Control Design or Control Operating in Practice issues identified

🟩 No / Minor Control Design or Control Operating in Practice Issues identified
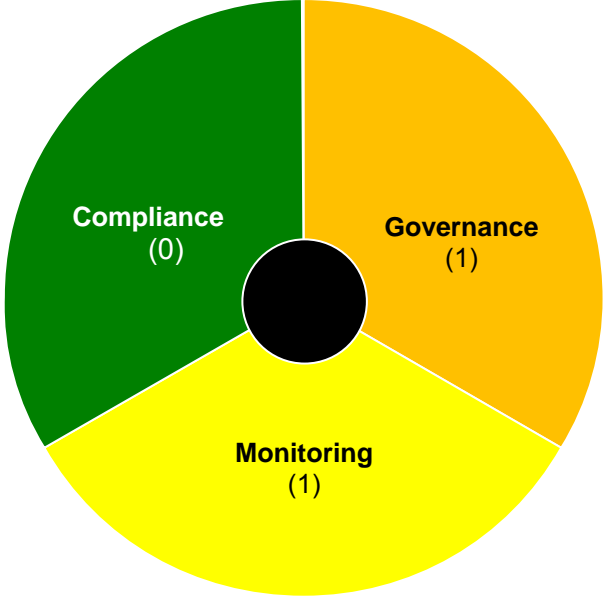
Essex County Council

Final Internal Audit Report 2017/18 – ECC Companies – Follow up (COR13)

1. Executive Summary

Function: Corporate and Customer Services

Audit Sponsor: Paul Turner, Director, Legal and Assurance

Distribution List: **Paul Turner, Margaret Lee,** Executive Director, Corporate and Customer Services; **Kim Cole,** Principal Solicitor; **Gavin Jones**, Chief Executive; **Cllr. McKinlay** Cabinet Member for Finance, Commercial, and Traded Services; **Cllr. Finch,** Leader of the Council

Final Report Issued: August 2018

Date of last review: November 2016

Overall Opinion

LIMITED ASSURANCE ⬡

Direction of Travel

⬆

The control environment has improved since our previous audit, but remains at limited assurance. Although action has been taken to establish the recommended control framework, the framework has not existed for sufficient time to demonstrate it is now working consistently and effectively.

Number of Control Design Issues remaining outstanding

- ⓿ Critical
- ⓿ Major
- ⓿ Moderate
- ⓿ Low

Number of Control Operating in Practice Issues remaining outstanding

- ⓿ Critical
- ① Major
- ① Moderate
- ⓿ Low

Total Number of Recommendations Outstanding

- **2** Made
- **0** Rejected
- **N/A** Critical Rejected
- **N/A** Major Rejected

Scope of the Review and Limitations: This review assessed whether there was evidence that the actions recommended in the original Internal Audit report issued in November 2016 have been implemented and are now operating consistently as business as usual. This review therefore does not provide continued assurance on all controls in place to mitigate all the potential risks identified in our previous review.

Summary findings and major issues and recommendations

Progress has been made in establishing the control framework recommended in the original report. This been through the drafting, approving, and communicating of the Company Guidance and compiling of a register of all ECC companies.

To fully implement the outstanding recommendations, the governance arrangements established by the Company Guidance need to be demonstrated as operating consistently.

In summary, this follow-up concludes that:

- The major recommendation relating to the governance of ECC companies is partially implemented
- One moderate recommendation relating to the register of ECC companies is now implemented
- One moderate recommendation relating to monitoring of performance of ECC companies is partially implemented

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

- 🟥 Critical priority Control Design or Control Operating in Practice issues identified
- 🟧 Major priority Control Design or Control Operating in Practice issues identified
- 🟨 Moderate priority Control Design or Control Operating in Practice issues identified
- 🟩 No / Minor Control Design or Control Operating in Practice Issues identified
- ▨ Not tested

Essex County Council

Final Internal Audit Report 2017/18 – User Access Management

1. Executive Summary

Function: Corporate Development

Audit Sponsor: **Mark Adams-Wright –** Interim Director of Technology Services

Distribution List: Mark Adams-Wright; Jason Kitcat, Executive Director for Corporate Development; **Margaret Lee,** Executive Director for Corporate and Customer Services; **Tracey Kelsbie,** Chief Operations Officer – Technology Services**; Joanne Taylor,** Service Delivery Manager, **Paul Aldred,** Service Delivery Manager; **Kevin Newton,** Team Manager; **Chloe McSweeney,** Head of Operational Systems and Development; **Lauri Almond** , Business Consultant Information Governance Operations; **Gavin Jones,** Chief Executive Officer; **Cllr. Finch,** Leader of the Council; **Cllr. Barker,** Cabinet Member for Corporate and Customer; **Dan Cooke,** External Audit

Final Report Issued: July 2018

Date of last review: March 2017

Overall Opinion

Limited Assurance

Direction of Travel

The level of assurance is consistent with last year's audit opinion

Number of Control Design Issues Identified

- **0** Critical
- **1** Major
- **0** Moderate
- **0** Low

Number of Control Operating in Practice Issues Identified

- **0** Critical
- **2** Major
- **1** Moderate
- **1** Low

Number of Recommendations

- **5** Made
- **0** Rejected
- **N/A** Critical Rejected
- **0** Major Rejected

Scope of the Review and Limitations:	This review assessed whether there are robust procedures in place to manage access to Mosaic (the social care case management system), Oracle (TCS – the financial management and HR management system), and Active Directory (AD). This assessment covered user creation and revocation for privileged and non-privileged system users, access review and password policy compliance.

Major Findings and Recommendations:

This review has identified that while there are the required access management policies and procedures, key controls in a number of areas did not operate consistently leading to three major findings.

The major findings related to revoking user access, creating new users and periodically reviewing access.

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

User access (3)

Administrator access (1)

Passwords (1)

- Critical priority Control Design or Control Operating in Practice issues identified
- Major priority Control Design or Control Operating in Practice issues identified
- Moderate priority Control Design or Control Operating in Practice issues identified
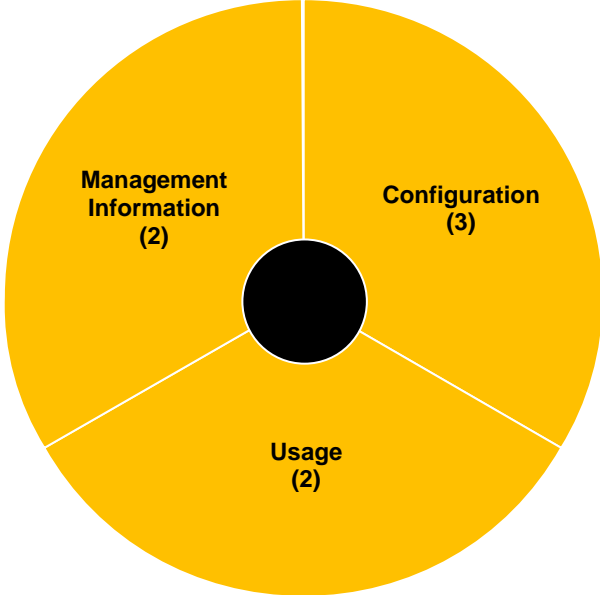- No / Minor Control Design or Control Operating in Practice Issues identified

Essex County Council

Final Internal Audit Report 2017/18 – Absence Management (COR5)

1. Executive Summary

Function: Organisational Development and People
Audit Sponsor: Pam Parkes, Director of Organisational Development and People
Distribution List: Pam Parkes; **Margaret Lee**, Executive Director for Corporate and Customer Services; **Alexander Carlton**, Head of People Insight and Technology; **Janet Tindall,** Head of Payroll; **Alison Woods**, Head of People Business Partners; **Nicole Wood,** Director for Finance and Procurement; **Gavin Jones**, Chief Executive Officer; **Cllr. Finch,** Leader of the Council; **Cllr. Barker**, Cabinet Member for Customer and Corporate; **Dan Cooke,** External Audit.
Final Report Issued: July 2018
Date of last review: N/A

Overall Opinion

LIMITED ASSURANCE ⬡

Direction of Travel

There has not been comparative previous coverage

Number of Control Design Issues Identified

0	Critical
2	Major
2	Moderate
1	Low

Number of Control Operating in Practice Issues Identified

0	Critical
1	Major
1	Moderate
0	Low

Number of Recommendations

7	Made
0	Rejected
N/A	Critical Rejected
0	Major Rejected

Scope of the Review and Limitations: This audit assessed whether absence is being consistently and correctly recorded and managed through TCS to ensure compliance with the requirements of absence-related policies and the legal requirements of ECC as an employer. The audit also assessed whether management understand, and are addressing, any known system or user issues to ensure the required benefits from the system are achieved

Critical and Major Findings and Recommendations

Major recommendations have been made in regard to ensuring there is more regular oversight of whether absences have been processed through TCS consistently and correctly.

Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:

Management Information (2)
Configuration (3)
Usage (2)

🟥 Critical priority Control Design or Control Operating in Practice issues identified

🟧 Major priority Control Design or Control Operating in Practice issues identified

🟨 Moderate priority Control Design or Control Operating in Practice issues identified

🟩 No / Minor Control Design or Control Operating in Practice Issues identified

Essex County Council

Overdue Critical and Major Internal Audit Recommendations as at 30 August 2018

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
IT Disaster Recovery (ICT11 1617)	Corporate Development	**Scope** Formally define recovery requirements for all critical services	31/12/17	**Update as at 29 June 2018**: As the update of 29/11/2017 refers, the addressing of this and the other recommendations made in the IT DR report is dependent upon the roll out of the Digital Foundations Programme. In March 2018 the Committee received an update from Technology Services on the progress addressing the recommendations which rated progress as either Red, Amber, or Green. The service's report rated progress as Amber or Green. The Digital Foundations Programme itself was refreshed via an approved Change Control Notice in May 2018.	Chief Operations Officer, Technology Services	Critical Risk
IT Disaster Recovery (ICT11 1617)	Corporate Development	**Capability** Understand the end to end recovery requirements for the IT service through identifying the direct and indirect critical dependencies with other IT services.	31/01/18	As above.	Chief Operations Officer, Technology Services	Critical Risk
IT Disaster Recovery (ICT11 1617)	Corporate Development	**Testing** Agree a test schedule with the Business Continuity programme for IT services.	31/01/18	As above.	Chief Operations Officer, Technology Services	Critical Risk
IT Disaster Recovery (ICT11 1617)	Corporate Development	**Governance** Establish an IT DR policy that aligns with the Business	28/02/18	As above.	Interim Director of Technology Services	Critical Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
		Continuity (BC) policy and develop supporting frameworks				
IT Disaster Recovery (ICT11 1617)	Corporate Development	**Supplier Contracts Responsibilities** Ensure that suppliers have provisioned the correct level of ITDR and that it is in-line with ECC's BC requirements.	30/04/18	As above.	Interim Director of Technology Services	Critical Risk
Section 117 Funded Packages (FUR9 1516)	Adult Social Care	**S117 Register** Create a complete and accurate register of all service users receiving S117 after-care.	16/12/16	**Update as at 6 March 2018**: Essex Partnership University NHS Foundation Trust (EPUT) agreed to undertake quality checking on all Service Users whom ECC have, in any manner, recorded as S117 Exemption on their records. This amounted to over 800 Service Users. The process started in late 2017, the first tranche are due end of March 2018. Once all data has been cleansed and a definitive list provided by EPUT, all ECC records will be updated, and those Adults who are currently exempt from charges incorrectly will be financially assessed and then charged according to their assessed ability to pay. EPUT will then provide regular updates to the definitive list of S117 Exemptees. EPUT have also agreed in principle to find ways of reviewing the exemption status of all S117 Adults at least annually, but a viable way forward has yet to be demonstrated.

Audit Comment:
This recommendation remains incomplete. It will however be tracked in future through the very recent EPUT Internal Audit review. | Director for Local Delivery, Adult Operations | Major Risk |
| IT Performance & Oversight (ICT9 1617) | Corporate Development | **IT Security Reporting** Establish adequate reporting and oversight to | 31/07/17 | No update provided.

Audit Comment:
15 requests for updates have been sent to the recommendation owner but none provided. The recommendation owner changed on 29 June 2018. | Interim Director of Technology Services | Major Risk |

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
		ensure that IT security is being governed effectively.				
Continuing Healthcare Funding (ASC7 1718)	Adult Social Care	**Recording on Mosaic** Introduce quality assurance checks to ensure that relevant details are recorded on Mosaic and that an adequate case record is maintained.	30/04/18	**Update as at 7 August 2018**: Managers currently using the available quality checking tools. The development of the revised practice guidance will support timely checking and clarity about responsibilities and timeframes. Confirmation of revised process for notification to ECC of CHC funding from CCG's is due for agreement in August 2018. ECC process under development to ensure more efficient practice following CCG notification to accurate recording on the finance system.	Director for Local Delivery, Adult Operations	Major Risk
Continuing Healthcare Funding (ASC7 1718)	Adult Social Care	**Progression of Checklists, Assessments and Eligibility Validation** Be transparent regarding delays in the assessment process which is variable across the quadrants and share best practice.	31/05/18	**Update as at 7 August 2018:** Review of practice guidance has been undertaken and a standard process has been developed to ensure workers identify potential CHC eligibility and are clear about processes for referral, timescales for decisions and where required escalation. In addition work is underway to refresh the wider S75 arrangements to ensure they are fit for purpose and reflect the new National Framework for Continuing Healthcare due for implementation later in the year.	Service Manager, Adult Social Care - Quality Assurance	Major Risk
IT Strategy Review (ICT8 1617)	Corporate Development	**Strategic Alignment / Governance – Communication Silos between IT and the Business** Implement a governance body to ensure that	30/06/18	**Update as at 11 January 2018:** An external resource is being brought in to Technology Services, reporting to the Director of Technology. This resource is being tasked with production of EA documentation, in partnership with other resources in Corporate Development (Digital directorate no longer exists). The DFP programme, as well as programmes around other key technologies (SCCM, TCS etc) are being reviewed and associated governance processes put in place. The overall approach to funding Technology investments is under review by the Executive Director for Corporate Services and the Director of Technology.	Chief Operations Officer, Technology Services	Major Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
		business and IT delivery plans are aligned and supported by a mechanism for monitoring progress against these plans		**Audit Comment:** Recommendation owner changed in February 2018. Last update provided on 11 January 2018 by the previous recommendation owner.		
IT Strategy Review (ICT8 1617)	Corporate Development	**Strategic Alignment / Governance – Gaps in IT Strategy** Develop a RACI (Responsible, Accountable, Consulted and Informed) to identify and track accountabilities and responsibilities with respect to the IT strategy and supporting documents	30/06/18	**Update as at 11 January 2018:** The draft IT strategy will be reviewed in order to align to the emerging business plans, which are designed to deliver the Corporate Strategy. The Technology Services organisational redesign (OD) will need to input to the strategy, governance, and people plans, in line with the OD. Once in place, these will be taken to the organisation for appropriate approvals. However, principles defining and shaping the strategy have already been taken through the Design Authority.	Interim Director of Technology Services	Major Risk
Deprivation of Liberty (DoLs) (ASC6 1718)	Adult Social Care	**Timeliness of DoLs Decisions** Best endeavours need to be made to ensure DoLS assessments and decisions are progressed promptly and issued within the statutory	31/07/18	No updates provided. **Audit Comment:** 8 monthly requests to the recommendation owner for updates but none provided.	Director, Safeguarding & Quality Assurance (Adult Social Care)	Major Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
		timescales, in a cost efficient way, having regard to the financial budget available.				