

# **Draft Internal Audit and Counter Fraud Plan 2019-20**

# INTRODUCTION

## Background

The Council is responsible for establishing and maintaining appropriate **risk management** processes, **internal control** systems, accounting records and **governance** arrangements.

The Council is also required under the **Accounts and Audit Regulations 2015** to maintain an adequate and effective system of internal audit, and this responsibility has been delegated to the Executive Director for Corporate and Customer Services (S151 Officer).

The **purpose** of the Internal Audit and Counter Fraud Service is to provide **independent, objective assurance** and consulting services to the Council (via the Audit Governance and Standards Committee, Chief Executive, S151 Officer, Corporate Leadership Team and External Audit), relating to these arrangements, which are designed to add value, improve the Council's operations and be proportionate to risk.

In addition, the Counter Fraud Service, as outlined in the Council's **Counter Fraud and Anti Bribery Strategy**, seeks to prevent, detect and deter fraud, corruption, bribery or other irregularity in order to protect the public purse.

Internal Audit work is carried out in accordance with the professional requirements as set out in the **Public Sector Internal Audit Standards** (PSIAS).

## Purpose of the Internal Audit and Counter Fraud Plan

The **Organisation Strategy** sets out the Council's aims and priorities for the next four years (see page 3). It describes what the Council will do to deliver the Vision for the people of Essex. The **Internal Audit and Counter Fraud Plan** takes into account the Council's **strategic and operational risks** in relation to delivering the Strategy and operational plans and details our priorities and activities over the next financial year.

The Plan, combined with other sources of assurance, provides sufficient coverage to enable the Head of Assurance (as **Chief Audit Executive**) to provide the Audit, Governance and Standards Committee with an independent, objective, and evidence based **annual opinion** on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned coverage will also inform the Council's **Annual Governance Statement** and provide evidence on the effectiveness of arrangements.

# Essex Organisation Strategy Summary

## Our Strategic Aims

Enable inclusive economic growth

Help people get the best start and age well

Help create great places to grow up, live and work

Transform the Council to achieve more with less

## Our Strategic Priorities

- Help people in Essex to prosper by increasing their skills
- Enable Essex to attract and grow large firms in high growth industries
- Target economic development to areas of opportunity

- Help keep vulnerable children safer and enable them to fulfil their potential
- Enable more vulnerable adults to live independent of social care
- Improve the health of people in Essex

- Help to secure stronger, safer and more neighbourly communities
- Help secure sustainable development and protect the environment
- Facilitate growing communities and new homes

- Limit cost and drive growth in revenue
- Develop the capability, performance and engagement of our people
- Re-imagine how residents' needs can be met in a digital world

# Internal Audit and Counter Fraud Plan for 2019-20

In devising the risk-based Plan and to ensure it is appropriately focussed, we have taken into account the following:

## Internal Audit & Counter Fraud Intelligence

Use of our own cumulative knowledge and expertise of services and areas of control weakness/ fraud risk, including prior years' activity.

## Risk Registers

Review and consideration of the strategic and operational risk registers.

## Key Corporate Documents

Key corporate documents have been considered including the organisational strategy, operational plans, budgets and savings targets, programmes and projects and future known commercial activity.

## Other Sources of Assurance

Use of other assurance sources such as third party inspections.

## External / Horizon Scanning

Consideration of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Institute of Internal Auditors (IIA) direction. Liaison with other local authorities on emerging themes through professional forums (e.g. Home Counties Audit Group / Local Authority Chief Auditors Network / South East County Council Fraud Hub).

Consideration of future planned national and international legislative changes including the impact of exiting the European Union (Brexit).

## Organisational Change

Consideration of the Council's organisational change programme and activity.

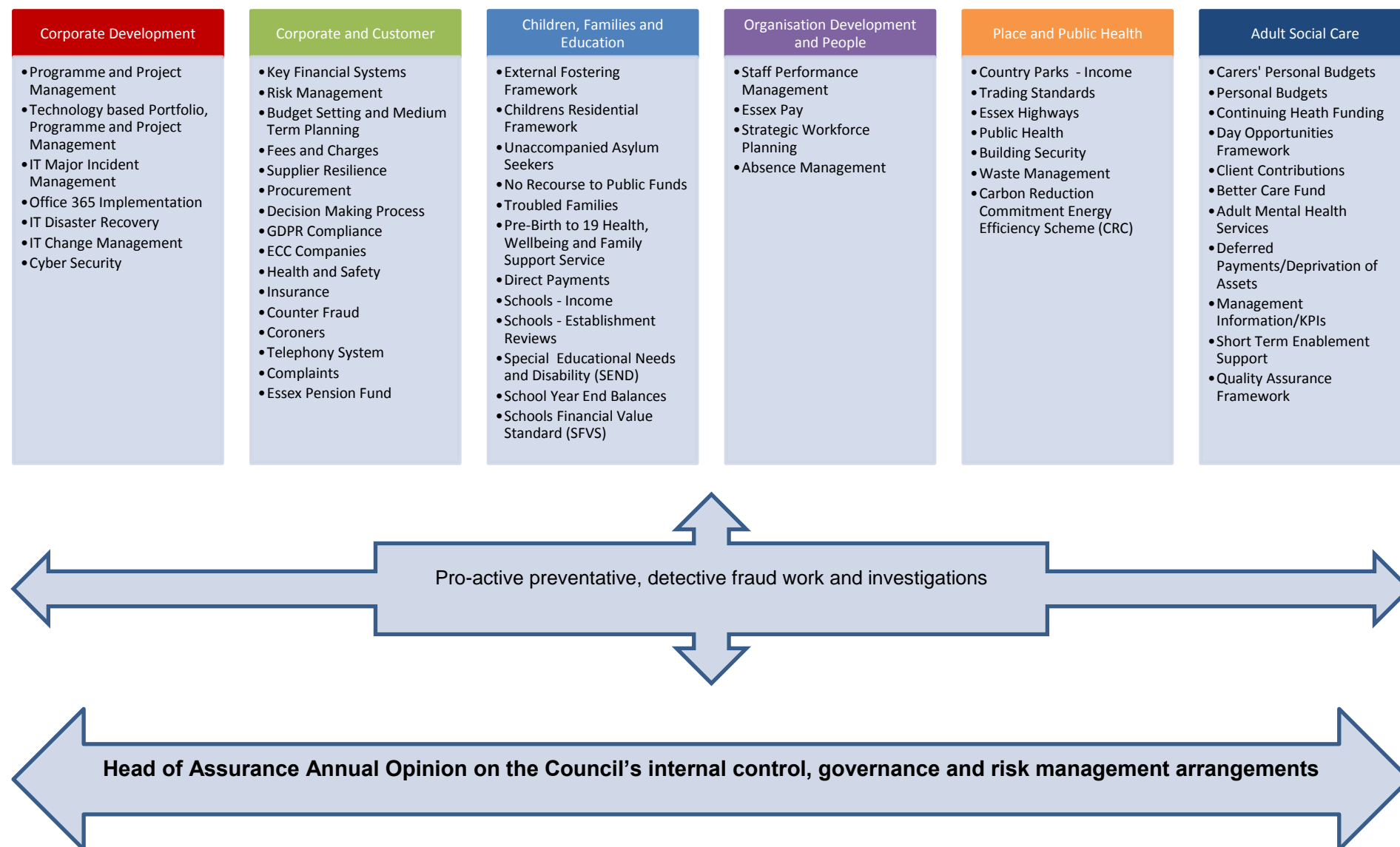
## Stakeholder Consultation

Engagement with key stakeholders including the Chief Executive (Head of Paid Service), S151 Officer, Monitoring Officer, Executive Directors, Senior Information Risk Officer (SIRO), Chair of the Audit, Governance and Standards Committee and External Audit.

## Delivery and Resourcing

Consideration has been given to the financial and staffing budgets available to deliver the Plan. This includes the in-house team and where necessary, an externally commissioned provider (eg for specialist IT audit).

## Summary Internal Audit and Counter Fraud Plan - by Function



## Detailed Internal Audit and Counter Fraud Plan by Function

| Audit Activity / Title                                       | Risk Justification                                                                                                                                                                                                                                                                                                                                                       | Potential Audit Coverage                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| <b>Corporate Development</b>                                 |                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Programme and Project Management                             | <p>There is an assumption that £60m* of savings will be achieved to balance the 2019/20 budget.</p> <p>*Full Council Meeting on 12 February 2019, Agenda Item 6: Organisation Plan and Budget 2019/20</p>                                                                                                                                                                | To provide assurance as to whether there is appropriate management oversight over the identification and management of the delivery of programmes and projects and associated benefits tracking.                                                                                                                                                                                                                                                          |
| Technology based Portfolio, Programme and Project Management | A new governance framework has been introduced to more robustly identify potential projects to implement new technology, prioritise, plan and then effectively implement. The value of the overall portfolio of technology-based projects is material. Failure to effectively deliver projects can lead to increased costs and reduce achievement of service objectives. | To assess whether the new governance framework is now operating consistently and effectively and is helping to deliver programmes and projects to time, to budget and to requirements. We will also work with Technology Services and Delivery and Service Design colleagues to map the inbuilt assurance mechanisms within the new framework and how evidence of these mechanisms working can be a source of assurance on which Internal Audit can rely. |
| IT Major Incident Management                                 | If the Council does not respond promptly and effectively to major incidents impacting on its key IT systems and applications it may not be able to fulfil statutory obligations or result in lost data and more widely, prevent the achievement of service outcomes.                                                                                                     | Follow up review to assess whether recommendations made in the previous review are now embedded as business as usual.                                                                                                                                                                                                                                                                                                                                     |

| <b>Audit Activity / Title</b> | <b>Risk Justification</b>                                                                                                                                                                                                                                                                                                                                                                                                  | <b>Potential Audit Coverage</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| Office 365 Implementation     | Failure to properly implement Office 365 could lead to major disruption to business as usual activity as staff will not be able to access core applications and information. Failure to implement on time could lead to increased costs.                                                                                                                                                                                   | To provide assurance that Office 365 will be rolled out effectively: to assess whether there is a robust project plan, delivery and oversight arrangements to ensure that Office 365 is implemented on time, on budget and achieves its required objectives.                                                                                                                                                                                                                                  |
| IT Disaster Recovery          | Failure to have robust and tested disaster recovery arrangements may mean the Council is unable to deliver its core services for an extended period of time and result in loss or damage to key data.                                                                                                                                                                                                                      | To assess whether there are robust and tested disaster recovery arrangements, and in particular whether the previous audit recommendations (made in 2017) have now been implemented.                                                                                                                                                                                                                                                                                                          |
| IT Change Management          | Poorly planned or poorly managed changes to technology can severely disrupt wider service delivery. Unauthorised or inappropriate changes may also disrupt service delivery and lead to the loss or damage of data.                                                                                                                                                                                                        | To assess whether there is robust planning, authorisation and testing of changes and then approved release of such changes to the production environment.                                                                                                                                                                                                                                                                                                                                     |
| Cyber Security                | A cyber-attack could prevent access to, or the required use of, technology that is critical to delivering services including those delivered to vulnerable people. Cyberattacks could also destroy or damage data. Without robust proactive protection against attacks, the Council may spend significant avoidable amounts of resource dealing with incidents and incur significant unplanned costs to remedy weaknesses. | To assess our resilience to external and internal threats. In particular to work with Technology Services at key times during the year whilst they obtain recognised cyber security accreditations to gain assurance that the controls required by the accreditations are in place and then map the arrangements the service will implement to ensure the required controls work consistently and effectively. Internal Audit will look to rely on these sources of assurance where possible. |

| Audit Activity / Title                 | Risk Justification                                                                                                                                                                                                                                                                                                                                                                 | Potential Audit Coverage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| <b>Corporate and Customer Services</b> |                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Key Financial Systems                  | If the key financial systems are not well controlled, the underlying information used for the financial statements may not be reliable and or financial transactions could include fraud and or material error. If the key financial operational processes are not effective, this could lead to overspends, higher levels of debt and failure to pay staff and suppliers on time. | Integrated audit approach to assess the robustness of the design and operating effectiveness of controls in place to ensure that processes and transactions executed through The Corporate System (TCS) and A4W (the finance system used to pay providers of care to adults) are accurate, complete, authorised, valid, timely and efficient. Includes:<br>Accounts payable<br>Accounts receivable<br>Banking and cash<br>Budgetary control<br>General ledger (journals and virements)<br>Payroll<br>Scheme of delegation. |
| Risk Management                        | Effective risk management helps support good decision making and service delivery across all Functions and at the strategic level.                                                                                                                                                                                                                                                 | To assess progress in implementing recommendations from the prior year's assessment against the ALARM standards and provide assurance that the councils risk management framework is operating effectively.<br><br><i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i>                                                                                                                                              |
| Counter Fraud                          | Without robust counter fraud arrangements there may be significant amounts of undetected fraud resulting in material financial loss, inappropriate use of or award of scarce resources, or inappropriate behaviour which could undermine the public's trust in the Council.                                                                                                        | To assess whether the Counter Fraud Team has effective proactive and reactive processes to deter, prevent, detect, and investigate and prosecute, where appropriate, potentially fraudulent and corrupt behaviour.<br><br><i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i>                                                                                                                                       |



| <b>Audit Activity / Title</b>           | <b>Risk Justification</b>                                                                                                                                                                                                                                                                                              | <b>Potential Audit Coverage</b>                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| Budget Setting and Medium Term Planning | Without robust medium-term financial and business planning, the projected funding gap may not be proactively and effectively closed. This could lead to less desirable decisions to cut services and or reduce longer-term investment which could reduce the extent that the Council's required outcomes are achieved. | To assess whether the assumptions built into the medium-term resource strategy (MTRS) are sound, well documented, robustly challenged and take account of a range of scenarios to mitigate risks including foreseeable uncertainties, the Council's track record of delivery and optimism bias. To also assess whether Functions' four year business plans clearly set out the medium-term financial picture and how each Function will address the financial gap. |
| Essex Pension Fund                      | The pension fund is around £4billion and ECC as the Administering Authority is responsible for the effective running of the fund to meet statutory requirements, ensure required payments are made and there is sufficient funding to meet liabilities.                                                                | To assess whether the Essex Pension Fund has effective governance in line with statute to ensure that investment and funding activity is lawful, effective and regularly reported.<br>To assess whether the Essex Pension Fund efficiently and effectively manages on-going administrative events to ensure pension records are accurate and up to date and pensions payments are accurate and valid.                                                              |
| Complaints                              | Failure to effectively deal with, then analyse and address the reasons for complaints could lead to repeat complaints - therefore cause additional strain on resources and poorer service outcomes.                                                                                                                    | To assess whether there are effective complaint handling processes to deal with the complaint itself and learn required lessons to minimise future complaints and improve service delivery.                                                                                                                                                                                                                                                                        |
| Telephony System                        | Failure to have a resilient IT and telephony infrastructure and resources across ECC would undermine effective service delivery and reduce customer satisfaction levels.                                                                                                                                               | To assess the development and implementation of the replacement telephony system whether it is delivered to time, budget and required outcomes.                                                                                                                                                                                                                                                                                                                    |

| Audit Activity / Title           | Risk Justification                                                                                                                                                                                                                                                                                                     | Potential Audit Coverage                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| Insurance                        | Insufficient insurance cover could lead to significant financial strain. If the Council does not robustly challenge claims against it, it could pay out when it should not (including for cases of fraud) which puts further pressure on the budget.                                                                   | To assess whether the Council maintains sufficient insurances and optimum cover. To also assess whether claims are robustly challenged to ensure ECC only pays out when liability is proven and there is effective learning from claims to prevent / minimise their future reoccurrence.<br><i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i> |
| Coroners                         | The statutory Coroner's service is demanded and therefore if the service does not have robust resourcing and business continuity plans, it may not be able to deliver required levels of services within required timescales. This could lead to significant public dissatisfaction and reputational damage.           | To assess whether the Coroner service has effective resource and case management arrangements in place.                                                                                                                                                                                                                                                                                                                                                |
| ECC Companies - follow up review | There are potential risks around ECC companies not working effectively and ECC being involved in a company which may not be beneficial.                                                                                                                                                                                | To assess whether the Shareholder Board has robustly challenged the performance of, outcomes achieved by, and risks associated with all ECC's companies to ensure they operate most effectively and ECC continues to benefit from involvement in the company.<br>To confirm that the Shareholder Board meeting held in February 2019 has effectively addressed the major recommendation arising from the 2018/19 follow up review.                     |
| Fees and Charges                 | If the Council does not maximise its income from chargeable activity, this increases the pressure on the annual budget potentially leading to less desirable decisions to cut services and / or reduce longer-term investment which could then in turn reduce the extent the Council's required outcomes are achieved. | To assess whether all activities / services are charged for where required and fees are set at an appropriate level (e.g. actually recover costs where aimed to; or optimise income to maximise any surplus if allowable). To consider work already done in this area by Finance.                                                                                                                                                                      |

| Audit Activity / Title | Risk Justification                                                                                                                                                                                                                                                                                                                          | Potential Audit Coverage                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| Supplier Resilience    | The Council relies on third party suppliers to deliver significant amounts of important and sensitive services on its behalf. Supplier failure could lead to the Council not delivering statutory services and / or prevent the successful achievement of service objectives.                                                               | To assess whether the new processes introduced in 2018/19 to identify and manage potential risk of supplier failure are now operating consistently and effectively to ensure there is effective and timely improvement action or an orderly exit of the contract.<br>To assess also whether lessons from previous supplier failures (in Essex and the country) are learnt and where necessary processes are changed to prevent or minimise the likelihood of repeat occurrence. |
| Procurement            | The value of spend with third parties is around £1billion per annum. Failure to ensure this spend achieves value for money would have a significant impact on the Council's financial position. The Council also needs to ensure appropriate quality of the goods/services it procures.                                                     | To assess whether the category management approach is effectively embedded to ensure value for money procurements and that the procurement process itself is efficient and robust.                                                                                                                                                                                                                                                                                              |
| Health and Safety      | ECC has duties under health and safety legislation and expects all employees and contractors to comply with health and safety policies, procedures and safe systems of work. If ECC is found liable for harm to the health and safety of others ECC could face significant financial penalties, reputational damage and service disruption. | To review a key health and safety risk area to assess whether the associated policy is robust and the requirements are being consistently and effectively met. Risk area to be determined at the time of scoping the review.<br><br><i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i>                                                                                  |
| GDPR Compliance        | If the Council does not comply with requirements of the Data Protection Act 2018 it may face enforcement action by the Information Commissioner's Office and significant financial penalties and reputational damage.                                                                                                                       | To assess whether there is a clear project closedown of General Data Protection Regulation (GDPR) oversight and effective transition into business as usual. To also assess the "steady state" arrangements to ensure GDPR compliance / move towards greater compliance and assess operating effectiveness in areas with greater risk of inappropriate information handling.                                                                                                    |

| Audit Activity / Title                     | Risk Justification                                                                                                                                                                                                                                                                                                                                                                                     | Potential Audit Coverage                                                                                                                                                                                        |
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| Decision Making Process                    | If the required decision making process is not followed, this could lead to less informed, less transparent, and less effective decisions or mean the decisions may not stand up to legal challenge.                                                                                                                                                                                                   | To assess whether there are adequate and consistent controls in place to ensure that the defined decision making processes are followed, including key decisions and engagement with the public where required. |
| <b>Children and Families and Education</b> |                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                 |
| External Fostering Framework               | Safeguarding, reputational, legal and value for money risks. Failure to achieve the Council's strategic objective/priority of helping keep vulnerable children safer and enabling them to fulfil their potential. There is an increase in the complexity of needs for children entering care.                                                                                                          | To provide assurance over the design and operating effectiveness of the new service model.                                                                                                                      |
| Childrens Residential Framework            | Safeguarding, reputational and legal risks. Potential inability to deliver ongoing savings, achieve a balanced budget or deliver a satisfactory service. Failure to achieve the Council's strategic objective/priority of helping keep vulnerable children safer and enabling them to fulfil their potential. In addition, there is an increase in the complexity of needs for children entering care. | To provide assurance over the design and operating effectiveness of the new service model.                                                                                                                      |

| Audit Activity / Title       | Risk Justification                                                                                                                                                                                                                                                                                                                                                                                                            | Potential Audit Coverage                                                                                                                                                                                                                                                                                                                                                                          |
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| Unaccompanied Asylum Seekers | Risk of increased number of unaccompanied asylum seeking children and those claiming to be so, arriving in ECC, resulting in additional, considerable, pressure on ECC, in terms of capacity, resources and financially. This may also affect our ability to meet our statutory obligations.                                                                                                                                  | To assess the robustness of and effectiveness of provision of care and support to unaccompanied asylum seeking children and young people including the assessment and eligibility process, information security, payment of fees, costs and allowances and support given to care leavers. Also to include claiming of grant and reconciliation procedures in relation to national transfer rates. |
| No Recourse to Public Funds  | Section 115 of the Immigration and Asylum Act 1999 states that a person will have 'no recourse to public funds' if they are 'subject to immigration control'. This means they cannot access certain welfare benefits, homelessness assistance from the Council and an allocation of social housing through the Council's register. This is a complex and volatile service which also links with unaccompanied asylum seekers. | To provide assurance over the management of risks in relation to assessment of eligibility, approval processes and payment of funds and monitoring and accounting arrangements.                                                                                                                                                                                                                   |
| Troubled Families            | Government requirement for Internal Audit to validate 10% of every claim and certify each claim.                                                                                                                                                                                                                                                                                                                              | <i>Troubled Families is a programme of targeted intervention for families with multiple problems, including crime, anti-social behaviour, truancy, unemployment, mental health problems and domestic abuse.</i><br>The audit will select a 10% sample of all cases and validate that they meet the specified conditions and are properly claimable.                                               |

| <b>Audit Activity / Title</b>                                | <b>Risk Justification</b>                                                                                                                                                                                                                                                                                                                      | <b>Potential Audit Coverage</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| Pre-Birth to 19 Health, Wellbeing and Family Support Service | The contract amount is £247m and runs to 31 March 2024 with an optional extension of up to three years. Risks are around ensuring quality of service delivered and having appropriate management oversight/assurance mechanisms in place to ensure the terms and conditions specified in the contract are met and value for money is achieved. | <p>The service combines the Healthy Child Programme, Healthy Schools, Family Nurse Partnership and children's centres. In west Essex, the service includes children's community nursing, paediatrics, therapies and specialist services. The services are for children from before they are born through to the age of 19 (or 25 for young people with special educational needs and disabilities).</p> <p>The 2018/19 Internal Audit review received an overall opinion of Adequate Assurance.</p> <p>To follow up on the previous year's recommendations and to focus on a key risk area at the time of scoping this review. Due to the value and complexity of this contract it is intended to audit a different area each year.</p> |
| Direct Payments (Children and Families)                      | Direct payments are provided for some children who are assessed as having need for social care services. The 2018/19 Internal Audit report received an outcome of 'Limited Assurance'. The service makes over 600 payments totalling around £2m per annum.                                                                                     | This audit will focus on the Council's arrangements for ensuring it is meeting its statutory duties and manages/monitors personal budgets consistently and in a way which is proportionate to risk.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Special Educational Needs and Disability (SEND)              | Materiality, changes to funding and additional pressures with demand increasing may mean that statutory obligations are unable to be met.                                                                                                                                                                                                      | To assess at time of scoping based on key risks.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Schools - Income                                             | Potential fraud risks, governance and reputational damage.                                                                                                                                                                                                                                                                                     | Thematic review across a number of primary schools focussing on income risks and cash-handling (including fraud risks) relating to school meals, breakfast & after school clubs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

| <b>Audit Activity / Title</b>                    | <b>Risk Justification</b>                                                                                                                                                                                                                                                                                          | <b>Potential Audit Coverage</b>                                                                                                                                                                                                                                                                                                                                                                   |
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| Schools - Establishment Reviews                  | Schools are a material line in ECC's budget and the majority have a fully delegated budget.                                                                                                                                                                                                                        | Risk based establishment visits to a small number of schools during the year to ensure internal controls and governance arrangements continue to work effectively.                                                                                                                                                                                                                                |
| Schools – Analytical Review of Year End Balances | Schools' year end balances are a material line on ECC's balance sheet and without assurance over the validity of the figures, an adverse opinion from the external auditors on the Council's annual statement of accounts could result.                                                                            | Year-end returns by schools are subject to analytical review with any anomalies being investigated. Provides a level of assurance across the whole LEA school population.                                                                                                                                                                                                                         |
| Schools Financial Value Standard (SFVS)          | Statutory requirement for the LEA to provide a return based on each school's self-assessment.                                                                                                                                                                                                                      | Collating statutory returns from all LEA maintained schools to enable annual reporting to the Department of Education (DfE). This is schools' own assessment of their internal controls using a DfE template.                                                                                                                                                                                     |
| <b>Organisation Development and People</b>       |                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                   |
| Staff Performance Management                     | New staff performance management framework is being introduced in 2019/20. Staff performance management is key to ensure that we identify and integrate organisational and individual objectives, behaviours and expectations, encourage individual employee growth and development and retain the best employees. | <p>Watching brief on the devising of the new staff performance management framework as it is developed and implemented.</p> <p>Once there is a new agreed approach, to assess whether there is an effective and consistently applied staff performance management framework and in particular whether this effectively deals with poor performance and appropriately rewards high-performers.</p> |

| <b>Audit Activity / Title</b> | <b>Risk Justification</b>                                                                                                                                                                                                                                                                                                                                            | <b>Potential Audit Coverage</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| Essex Pay                     | The new approach to pay and grading is called Essex Pay. Its implementation requires significant intervention to payroll records to ensure staff are paid the correct amounts. Its ongoing application needs effective controls to ensure it is seen as transparent, consistent, and equitable.                                                                      | <p>To assess whether:</p> <ul style="list-style-type: none"> <li>• those in transitional arrangements are paid the correct amounts</li> <li>• there are robust, transparent, and clear means to calculate the rate for the job and in particular ensure the annual reviews are planned to be completed in a timely and informed manner</li> <li>• exceptions to the rate for the job are supported by robust, authorised business cases to justify paying additional amounts</li> <li>• there is understanding of the actual impact on the overall pay bill resulting from Essex Pay and whether this is in line with assumptions and budgeted amounts.</li> </ul> |
| Strategic Workforce Planning  | The Council's workforce may not be fit to meet the future challenges which could undermine the achievement of ECC's objectives.                                                                                                                                                                                                                                      | To assess whether there is effective governance at the Organisation Development and People and corporate level to oversee the implementation of the People Plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Absence Management            | Major recommendations are outstanding from our prior year review and will be primarily addressed through the implementation of new technology. The recommendations relate to the management of risks of staff taking too much annual leave and sickness absence not being managed as required which could result in staff's wellbeing not being proactively managed. | Follow up review to assess whether the new people technology system to manage absence effectively drives compliance and highlights to management where the process has not been followed to allow remedial action.                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



| Audit Activity / Title         | Risk Justification                                                                                                                                                                                                                                                                                                                            | Potential Audit Coverage                                                                                                                                                                                                         |
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| <b>Place and Public Health</b> |                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                  |
| Country Parks - Income         | Country parks have introduced a new in-house cash collection and banking process in 2018/19 with associated income and fraud risks. Assurance required that processes are appropriately well designed and operating effectively in practice and that there is appropriate management oversight to detect if controls are bypassed/overridden. | Review across a number of country parks focusing on income risks and cash-handling (including fraud risks) relating primarily to car park cash collection (may also include other income streams, e.g. shops, high ropes, etc.). |
| Trading Standards              | Trading Standards have a key role to play in tackling fraud risks and helping to ensure the safeguarding of vulnerable people. Regulatory role involving inspections, enforcement and advice and guidance but with recent reductions in funding and staffing levels. Also risks around impact of EU exit. Not audited since 2015.             | To assess at time of scoping based on key risks. Prior audits have focussed on evidence handling and storage of evidence.                                                                                                        |
| Essex Highways                 | Annual spend of around £165m with risks around quality of services/contract delivery and performance and value for money. Decision on the future of this strategic contract is due to be made by Summer 2019 (i.e. extension or re-procure).                                                                                                  | Review to focus on contract performance management.                                                                                                                                                                              |

| Audit Activity / Title | Risk Justification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Potential Audit Coverage                                                                                                                                                                                                                                                                                                                                                |
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| Public Health          | Indicative Public Health grant for 2019/20 is £60.8m. Potential risks around preparedness of reduction and eventual removal of the Public Health grant. Funding is used for services such as sexual health, obesity and weight management, stop smoking campaigns, drug and alcohol treatment etc. Without these services, designed to improve public health, there is a risk that there could be increased pressure on the NHS and social care services. Also risks around timings of decisions on key contracts and services. | To provide assurance that the grant is spent in accordance with the grant conditions as per Public Health England and that ECC have appropriate mechanisms in place via KPIs, data quality checks, budgetary control and contract management arrangements to provide this assurance. To assess ECC's preparedness for the reduction and removal of Public Health grant. |
| Building Security      | If ECC do not have sufficient and proportionate building security controls in place, the health and safety of staff and/or visitors could be placed at risk. There may also be information governance risks if information and data (particularly of a sensitive nature) is not held securely.                                                                                                                                                                                                                                  | Proactive reviews across multiple sites testing access controls, particularly to sensitive areas, e.g. server rooms, CCTV control, records management, etc. Could also include observation of unlocked and accessible devices, i.e. information security, etc. To also include security of unused buildings.                                                            |
| Waste Management       | Key strategic priority is to reduce the environmental impact and cost to the taxpayer of dealing with waste, by operating efficient waste management services and working effectively with partners and communities. Risks associated with not achieving this include, reputational, financial and legal.                                                                                                                                                                                                                       | To provide assurance over waste payments and data quality to inform the payment mechanisms.                                                                                                                                                                                                                                                                             |

| Audit Activity / Title                               | Risk Justification                                                                                                                                                                                                                                                                                                                                | Potential Audit Coverage                                                                                                                                                                                        |
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| Carbon Reduction Commitment Energy Efficiency Scheme | This is the UK's mandatory climate change and energy saving scheme. There is an annual requirement for Internal Audit to sign off the Scheme.                                                                                                                                                                                                     | To certify that ECC are complying with the Scheme's terms and conditions and that the data included in the evidence pack is robust.                                                                             |
| <b>Adult Social Care</b>                             |                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                 |
| Personal Budgets (Adults)                            | The Council has a statutory duty to assess any adult who appears to have needs for care and support and to ensure that the unmet eligible assessed needs are met. Limited Assurance in 2018/19. Approximately £60m spend and over 5,000 clients.                                                                                                  | This audit will focus on the Council's arrangements for managing/monitoring personal budgets consistently and in a way which is proportionate to risk.                                                          |
| Quality Assurance Framework                          | If ASC do not have appropriate mechanisms in place to quality assure its services it cannot ensure or evidence that it meets statutory requirements and any additional Care Quality Commission Standards, nor can it demonstrate that staff are complying with ECC's strategies, policies and procedures.                                         | Provide consultancy advice on the development of the Quality Assurance Framework to ensure it is fit for purpose and working effectively in practice. Will also link with audit on Management Information/KPIs. |
| Management Information / Key Performance Indicators  | Without effective management oversight and appropriately defined and timely KPIs, the Function will be unable to measure whether their focus on early intervention and prevention is having the desired impact and is sustainable. Strategic objectives may not be achieved nor poor performance identified so that it can be addressed promptly. | To provide assurance over ASC's performance management framework to ensure appropriate oversight of the new service delivery model and key activities of the Function.                                          |

| <b>Audit Activity / Title</b>             | <b>Risk Justification</b>                                                                                                                                                                                                                                               | <b>Potential Audit Coverage</b>                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Client Contributions                      | Financial, legal and fraud risks. Service users may not be aware of their client contributions and may not spend them on their care which could result in safeguarding issues and ECC not meeting their eligible unmet needs.                                           | Health check review working with the service to ensure appropriate design of controls and then a test of their effectiveness later on in the year. Will be planned with the ASC Personal Budgets review.                                                                                                                                                                                                                                         |
| Adult Mental Health Services              | Risks around determining the future delivery intentions of the service with the current Section 75 agreement due to end in March 2020. This will also have associated safeguarding, financial, reputational and legal risks.                                            | Follow up on implementation of prior year recommendations and reassess the risks based on the future delivery intentions for this service.                                                                                                                                                                                                                                                                                                       |
| Deferred Payments / Deprivation of Assets | Fraud risks and statutory obligations under the Care Act. If a service user intentionally decreases their overall assets in order to reduce the amount they are charged towards the cost of their care this will result in ECC paying higher care costs than necessary. | The Care Act requires that all local authorities must offer a deferred payment agreement if a service user meets eligible criteria, the intention being that no-one is forced to sell their home in their lifetime to pay for their care costs. The audit will focus on the controls around the robust administration and management of the agreements, guidance provided to service users, property valuations and sales and recovery of debts. |
| Better Care Fund                          | In 2018/19 the total value of the Essex Better Care Fund (BCF) is £68.9m (which includes £32.6m relating to Integrated Better Care Fund). Risk that outcomes of the BCF and the local vision for health and social care integration may not be achieved.                | To ensure that ECC is meeting its statutory obligations under its accountable body status for the pooled funds under the Section 75 agreements with the 5 Essex Clinical Commissioning Groups (CCGs).                                                                                                                                                                                                                                            |

| <b>Audit Activity / Title</b>          | <b>Risk Justification</b>                                                                                                                                                                                                                                                                                                    | <b>Potential Audit Coverage</b>                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Day Opportunities Framework            | Safeguarding risks, value for money, risks around ensuring appropriate and timely support to vulnerable adults and their carers.                                                                                                                                                                                             | Review of the control environment and the effectiveness of the new arrangements which were introduced in late 2018.                                                                                                                                                                                                                                                                                                                               |
| Carers' Personal Budgets               | The Carers Strategy and associated support to carers are key to upholding the Council's early prevention and intervention strategy and sustainable futures; and for meeting the requirements of the Care Act. If ineffective there could be associated safeguarding, financial, reputational and legal risks to the Council. | To follow up on the recommendations arising from the 2018-19 Internal Audit review. To provide assurance over controls in relation to the delivery of the Carers Strategy, guidance and information provided to carers, payments to carers and recovery of funds, practice guidance/policies, case review procedures and monitoring arrangements including budgetary control.                                                                     |
| Continuing Health Care (CHC) Funding   | ECC may not seek CHC funding when appropriate to do so resulting in material financial risks. Also reputational risks.                                                                                                                                                                                                       | To ensure that the Council has appropriate mechanisms in place to identify in a timely way where service users may meet the eligibility criteria for being CHC funded and that CHC funding is then pursued as appropriate.<br>To ensure that when CHC funding is granted that the Council has appropriate internal controls to cease paying for these service users and clawback any funds from the care provider where CHC funding is backdated. |
| Short Term Enablement Support Contract | Potential safeguarding, financial, and reputational risks. Recent emergency change of provider for four out of five of the contracts.                                                                                                                                                                                        | Joint internal audit review planned with Essex Cares Limited, a wholly owned ECC company that deliver reablement and short term nursing services on behalf of ECC.                                                                                                                                                                                                                                                                                |

| Audit Activity / Title                         | Risk Justification                                                                                                                                                                                                                                                                                                                   | Potential Audit Coverage |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| <b>Counter Fraud</b>                           |                                                                                                                                                                                                                                                                                                                                      |                          |
| <b>Fraud Prevention, Awareness and Culture</b> | <b>Fraud Awareness Workshops</b> - Programme of fraud awareness training sessions following re-organisation to include Fraud Awareness Week communications. Initial focus on Social Care Teams, Essex Social Care Academy, Financial Assessment Teams, Pre-Paid Compliance Teams, Blue Badge Team, Parking Enforcement Officers etc. |                          |
|                                                | <b>Training / Workshops</b> in relation to Anti-Bribery & Money Laundering                                                                                                                                                                                                                                                           |                          |
|                                                | <b>Annual review of policy documents</b> (Counter Fraud Strategy, Counter Fraud Manual, Anti-Bribery Policy, Money Laundering Policy) and update Fraud Risk Assessment.                                                                                                                                                              |                          |
|                                                | <b>Attendance at Counter Fraud Hub</b> meetings (South East Hub & Essex Hub).                                                                                                                                                                                                                                                        |                          |
|                                                | <b>Attendance at Workshops</b> - Debt Management / Blue Badge (new legislation).                                                                                                                                                                                                                                                     |                          |
| <b>Fraud - Detection</b>                       | <b>Pan Essex Data Matching</b> - Submission of data sets on a monthly basis and investigation of returned matches, plus attendance at workshops / meetings.                                                                                                                                                                          |                          |
|                                                | <b>National Fraud Initiative (NFI)</b> – Investigation of data matches arising from October 2018’s data submission, when they are returned in February 2019; although investigation will run to Autumn 2019 due to volume of matches.                                                                                                |                          |
|                                                | <b>BAE Systems / Data Matching / NFI Hub</b> - Involvement in development of potential data matching. Liaising with Midlands’s hub / CIPFA re social care matches / developments.                                                                                                                                                    |                          |
|                                                | <b>Internal Data Matching / Data Analysis</b> - Programme of internal data matching to be developed. To include quarterly matching for Adult Social Care data, procurement exercise to be completed by in-house Data Analyst.                                                                                                        |                          |

| Audit Activity / Title                                 | Risk Justification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Potential Audit Coverage |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| <b>Investigative Work</b>                              | <b>Investigations - Referrals and Case Investigation (reactive, including advice &amp; guidance)</b> - Log, prioritise and investigate referrals received via the service, internet or whistleblowing route.                                                                                                                                                                                                                                                                                                                 |                          |
|                                                        | <b>Blue Badge Referrals</b> - Managing referrals and mis-use letters.                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |
|                                                        | <b>Freedom of Information Requests</b> - Assistance with responding to Freedom Of Information requests.                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |
| <b>South East Local Enterprise Partnership (SELEP)</b> | <p>Programme of tests to assess robustness of governance over decision making and effectiveness and consistency of project delivery. To also assess whether the required changes in formation and governance are made in response to the new national requirements.</p> <p>Annual programme of work in support of ECC's S151 Officer's annual assurance opinion and to the Accountability Board on the fulfilment of the Assurance Framework.</p>                                                                            |                          |
| <b>Grant Claims</b>                                    | The audit of specific grants that require Internal Audit sign off as part of the grant funding terms and conditions.                                                                                                                                                                                                                                                                                                                                                                                                         |                          |
| <b>Emerging Risks / Contingency</b>                    | Approximately 10% of available staffing resources to maintain flexibility to respond, as appropriate, to emerging risks or events throughout the year. This will include maintaining a watching brief over programmes and projects such as significant procurement of new systems and emerging commercial activity. We will provide control design support (including counter fraud measures) for new developments/ projects / IT Systems and health checks on internal control arrangements for new / transferred services. |                          |
| <b>External Contracts</b>                              | Chargeable Internal Audit and Counter Fraud services to our external clients – approximately 10% of available staffing resources.                                                                                                                                                                                                                                                                                                                                                                                            |                          |

## **Operational Responsibilities of the Chief Audit Executive**

The Chief Audit Executive is responsible for the following operational areas:

- Internal Audit and Counter Fraud
- Health and Safety
- Emergency Planning and Resilience
- Risk and Insurance.

Reviews of Counter Fraud, Health and Safety, Risk Management and Insurance are included in the above Plan. Emergency Planning and Resilience has not been included as we are currently conducting an audit in this area as part of our 2018/19 Internal Audit and Counter Fraud Plan.

## **Resourcing the Internal Audit and Counter Fraud Plan**

The indicative days allocated to each individual audit activity, although not included in this report, have been shared with the Section 151 Officer.