

Report title: Internal Audit and Counter Fraud Progress Report	
Report to: Audit, Governance and Standards Committee	
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Date: 16 November 2020	For: Discussion
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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 2020/21 Internal Audit Plan (approved by the Audit, Governance and Standards Committee in July 2020). It reflects the situation as at 31 October 2020.

2. Recommendation

- 2.1 That the report be noted.
- 2.2 Members to consider whether they wish to invite an appropriate officer to the next meeting to provide an update on the limited assurance audit for Energy Invoice Process.

3. Key Issues

- 3.1 The following matters are of particular note:
- No reports with 'no assurance' have been issued during the period
 - One audit has recently been completed that received limited assurance – Energy Invoice Processes.
 - As at 31 October 2020 there were 4 Critical and 14 Major recommendations open, of which 3 Major and 39 Moderate recommendations have moved beyond their latest agreed due date.
 - Although the Counter Fraud Team experienced a reduction in the number of referrals received during the first few months of the pandemic, we are now experiencing a return to near normal levels.

4. Details of Internal Audit and Counter Fraud Activity

4.1 Final Internal Audit Reports Issued

- 4.1.1 When Internal Audit issues a report it gives an overall assurance rating which is either 'Good' 'Satisfactory' 'Limited' or 'No' Assurance. Two final

reports have been issued since the meeting of the Audit, Governance and Standards Committee in September 2020:

- Whistleblowing policies and procedures - Satisfactory Assurance
- Energy Invoice Processes - Limited Assurance

The Executive Summary of the limited assurance audit is included in Appendix 1. In accordance with their usual requirements, Members should consider whether they would like an appropriate officer to attend the next meeting to provide an update on progress implementing the recommendations.

In addition, we have completed the review of the Department for Transport Integrated Capital Grant Claim with no issues identified.

4.2 Implementation of Internal Audit Recommendations

- 4.2.1 Whenever any recommendations are made in an audit report, Managers are asked to agree what activity they will undertake to address the recommendations and to agree timescales for implementation.
- 4.2.2 Progress on the implementation of recommendations is monitored by the Internal Audit service.
- 4.2.3 Critical or Major recommendations which have not been implemented within the agreed timescale are reported to the Audit, Governance and Standards Committee. Outstanding recommendations are provided to Functional Leadership Teams (FLT) quarterly.
- 4.2.4 As at 31 October 2020 there were 4 Critical, 14 Major and 90 Moderate recommendations open, of which 3 Major and 39 Moderate recommendations have moved beyond their latest agreed due date. See Appendix 3 for further detail on the overdue Major recommendations.
- 4.2.5 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 2.

4.3 Counter Fraud Activity

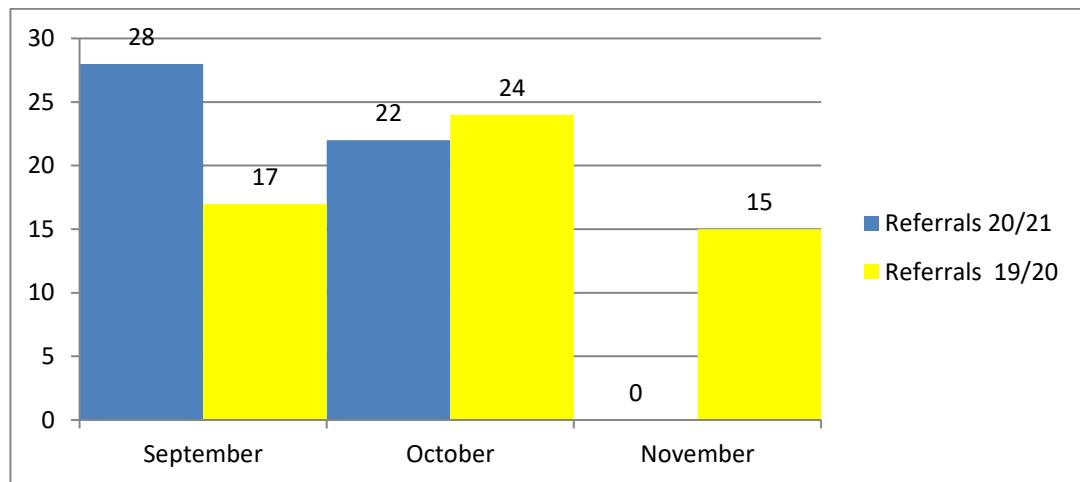
- 4.3.1 The Counter Fraud Team has a remit to prevent, detect and investigate fraud. This includes proactive work utilising data matching and analytical work. In some cases we will pursue sanction through the civil or criminal courts and where possible seek to recover lost/stolen monies.

Fraud Referrals

- 4.3.2 During the two month period 1 September 2020 to 31 October 2020, 50 referrals were received (including blue badge referrals). The table below shows how this compares to the three month reporting period last year (September to November 2019) and demonstrates that the number of referrals

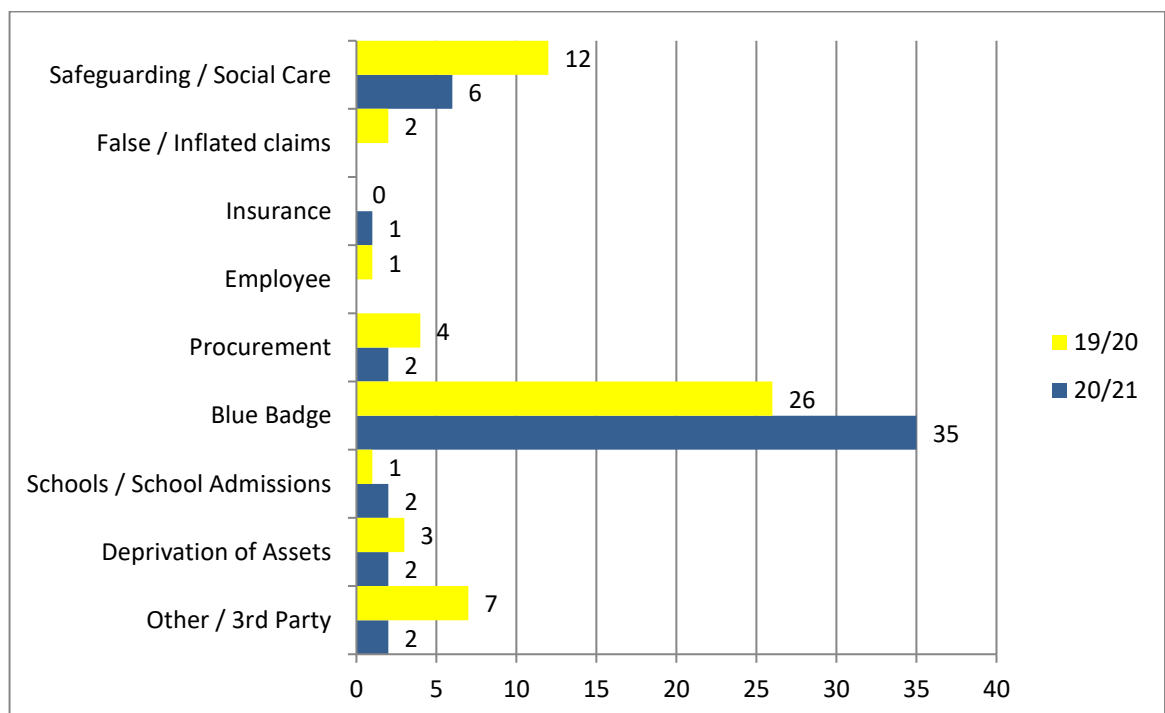
received this year is comparable with the numbers received last year (56 referrals were received during the reporting period September to November last year, a 3 month reporting period). Although the Counter Fraud Team experienced a reduction in the number of referrals received during the first few months of the pandemic, we are now experiencing a return to near normal levels.

Note: The reporting period for this report is reduced to 2 months due to the usual December meeting being brought forward to November.



Types of Referrals

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



Internal Data Matching

4.3.4 The Counter Fraud team now includes a Data and Intelligence Specialist. Data matching / analytical work has been completed during the 2 month period in the following areas:

- Adult social care – an analysis of care packages to identify where domiciliary and residential care packages overlap and may not have been fully closed down on the system – testing is currently underway.

Essex Council Tax Data Matching Initiative

4.3.5 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 cumulative savings recorded as at 26 October 2020 (from July 2017) are **£2,005,956**.

National Fraud Initiative Data Matching Exercise and NFI Fraud Hub

4.3.6 The National Fraud Initiative is a biennial exercise overseen by the Cabinet Office. This is a mandatory exercise which all public sector bodies participate in, submitting prescribed data sets to the Cabinet Office to facilitate a national data matching exercise to be completed. The Counter Fraud Team have submitted all required datasets to the Cabinet Office during the beginning of October 2020. Matches are scheduled to be returned for investigation during February and March 2021.

4.3.7 In addition to the mandatory data matching, the Counter Fraud Team subscribed to the NFI Fraud Hub in March 2020. Discretionary data matching is permitted on an ad hoc basis, using the same prescribed data sets as submitted as part of the national exercise. Data sets relating to Adult Social Care and Pensions have been uploaded and matched to the mortality listing. These matches have been investigated and where ECC had not been notified of the respective death, records have been updated and further payments have been prevented. This reduces the reputational damage to ECC by making payments after the date of death and also trying to pursue monies paid in error.

Note – the Cabinet Office are currently investigating the legislation regarding patient data. We are unable to submit adult social care datasets for matching purposes pending the results of this review.

Data in relation to ECC Pensions continues to be submitted on a monthly basis and resultant matches sent to the ECC Pension Team for investigation

/ suspension. Since the last Committee report a further **136** matches have been forwarded and are in the process of being reviewed.

Fraud Awareness Training

4.3.8 At present, *81.4% of all ECC staff have completed the e-learning modules relating to:

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

**Note – several exemptions have been granted to ECC staff who do not have access to the intranet and e-learning modules, for example School - Crossing Patrol staff and peripatetic music tutors.*

Outcomes

4.3.9 During the period 1 September to 31 October 2020, the following outcomes and sanctions have been achieved:

Outcome Type	1 September to 30 November 2019	1 September to 31 October 2020
Prosecutions	1	0
Written / Verbal Warning	1	0
No fraud established	5	3
Phishing / Referred to third party	1	2
Blue Badges – Misuse letter issued	3	4
Blue Badges - Seized	17	2
ASC - Financial recovery	1	2
ASC - PB terminated	3	1
ASC – payment stopped / reduced	2	1
Other - Recovery of funds	0	1
*Other	6	1

**Other outcomes include:*

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

Financial Recoveries

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

Financial Recovery	1 September to 1 December 2019	1 September to 1 November 2020
	£	£
In recovery	1,421.90	53,675.48
Monies actually recovered	5,934.72	38,064.27
Potential future losses prevented	59,683.00	61,805.73
Estimated losses (unproven)	18,183.00	4,231.68
Total case value	85,222.62	157,777.16

The future losses prevented mainly related to personal budgets (adult social care) which have been reduced or terminated during the year due to fraud or misrepresentation of circumstances, such as care needs have been overstated, misuse of funds, deprivation of assets. Future losses are estimated as the annual value of a personal budget (i.e. the cost to ECC if the personal budget had continued to be paid until the next social care review).

- 4.3.11 Notional savings of £1,150 have also been identified as 2 expired blue badges have been taken out of circulation, each badge being attributed a value of £575 (figure determined by the Cabinet Office).

5. Financial Implications

- 5.1 There are no financial implications as the Internal Audit and Counter Fraud activity 2020/21 will be met within existing resources.

6. Legal Implications

- 6.1 Internal Audit is an important 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.

7. Equality and Diversity Implications

- 7.1 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.

7.2 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.

8. List of Appendices

- Appendix 1 Executive Summary – Limited Assurance Report
- Appendix 2 Current assessment rationale for grading the priority of recommendations in Internal Audit reports.
- Appendix 3 Critical and Major Recommendations which are overdue for implementation as at 31 October 2020

9. List of Background Papers

Internal Audit reports