

Report title: Internal Audit and Counter Fraud Progress Report	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes – Head of Assurance	
Date: 25 March 2019	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 2018/19 Internal Audit Plan (approved by the Audit, Governance and Standards Committee in March 2018). It reflects the situation as at 28 February 2019.

2. Recommendation

- 2.1 That the report be noted.

3. Details of Internal Audit and Counter Fraud Activity

3.1 Final Internal Audit Reports Issued

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

No	<ul style="list-style-type: none"> • None
Limited	<ul style="list-style-type: none"> • None
Adequate	<ul style="list-style-type: none"> • Essex Highways Fees and Charges • Employee Termination Payments
Good	<ul style="list-style-type: none"> • Pre-employment Checks • Active Essex • Better Care Fund
Other	<ul style="list-style-type: none"> • Troubled Families Grant • EU Interreg Grant – SPONGE (preventing flooding) • EU Interreg Grant - PROFIT (promoting tourism to the Essex coast)

3.2 Implementation of Internal Audit Recommendations

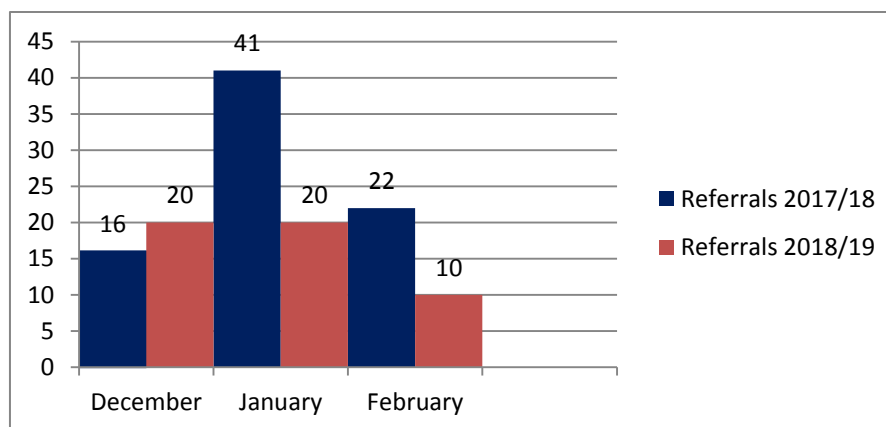
- 3.2.1 Whenever any recommendations are made in an audit report, Managers are asked to agree what activity they will undertake to address the recommendations and to agree timescales for implementation.
- 3.2.2 Progress on the implementation of recommendations is monitored by the Internal Audit service.
- 3.2.3 Critical or Major recommendations which have not been implemented within the agreed timescale are reported to the Audit, Governance and Standards Committee. Reports on outstanding recommendations are provided to Functional Leadership Teams (FLT) quarterly.
- 3.2.4 As at 11 March 2019 there were 5 Critical and 23 Major recommendations open, of which 13 Major recommendations have moved beyond their latest agreed due date. See Appendix 2 for further detail.
- 3.2.5 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 1.

3.3 Counter Fraud Activity

3.3.1 The Counter Fraud Team (2.6fte) has a remit to prevent, detect and investigate fraud. In some cases we will pursue sanction through the civil or criminal courts and where possible seek to recover lost/stolen monies.

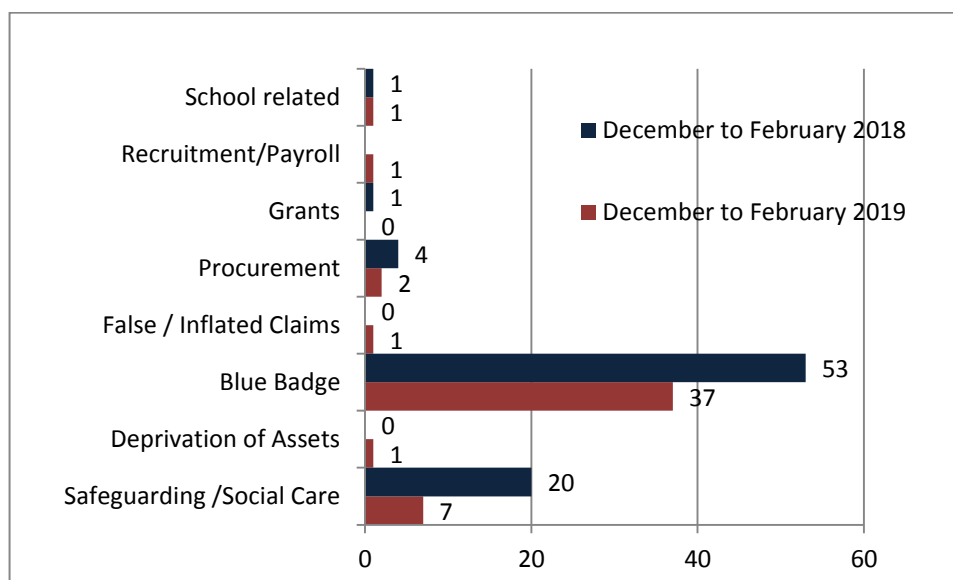
Fraud Referrals

3.3.2 During the 3 month period 1 December 2018 to 28 February 2019, 50 referrals were received (including blue badge referrals). The table below shows how this compares to the same period last year and demonstrates that the number of referrals received this year is lower than the same reporting period last year (79 referrals received during the same period last year).



Types of Referrals

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



Internal Data Matching

3.3.4 The Counter Fraud team continued work on the Adult Social Care internal data matching project, initially started in May 2018. Adult Social Care payments have been recognised nationally as a significant fraud risk to local authorities who have reported significant fraud losses¹. The objective of this data matching exercise is to:

- Identify and rectify duplicated packages – i.e. open domiciliary & residential care packages (where a cash payment is being made)
- Identify and stop payments that are being paid to service users who are deceased
- Identify and stop payments that are being made to service users who are in receipt of health funding (and no longer entitled to social care funding)

3.3.5 A further data matching exercise was added during Q2/3 to match recipients of ECC pensions to service users in receipt of a social care package. The aim of the match was to ensure that income had been accurately declared and recorded during the financial assessment.

3.3.6 Savings of **£57,256** have been identified from 1 April 2018 to date.

Essex Council Tax Data Matching Initiative

3.3.7 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 28 February 2019 (from July 2017) are **£1,087,699**.

National Fraud Initiative Data Matching Exercise

3.3.8 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 submitted all data sets to the Cabinet Office in October 2018. Matches have been returned during February and March 2019 and are in the process of being investigated. Matches received include:

- 282 - Pensions to Payroll within ECC
- 412 - Payroll to Payroll between bodies (ECC plus other authority)
- 2,931 – Blue Badge to deceased persons
- 12,320 - Concessionary Travel Pass to deceased persons

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

- 409 – Residential Care home to deceased persons
- 29 – Personal Budgets to deceased persons

Fraud Awareness Training

3.3.9 At present, 85% of all ECC staff have completed the e-learning modules relating to:

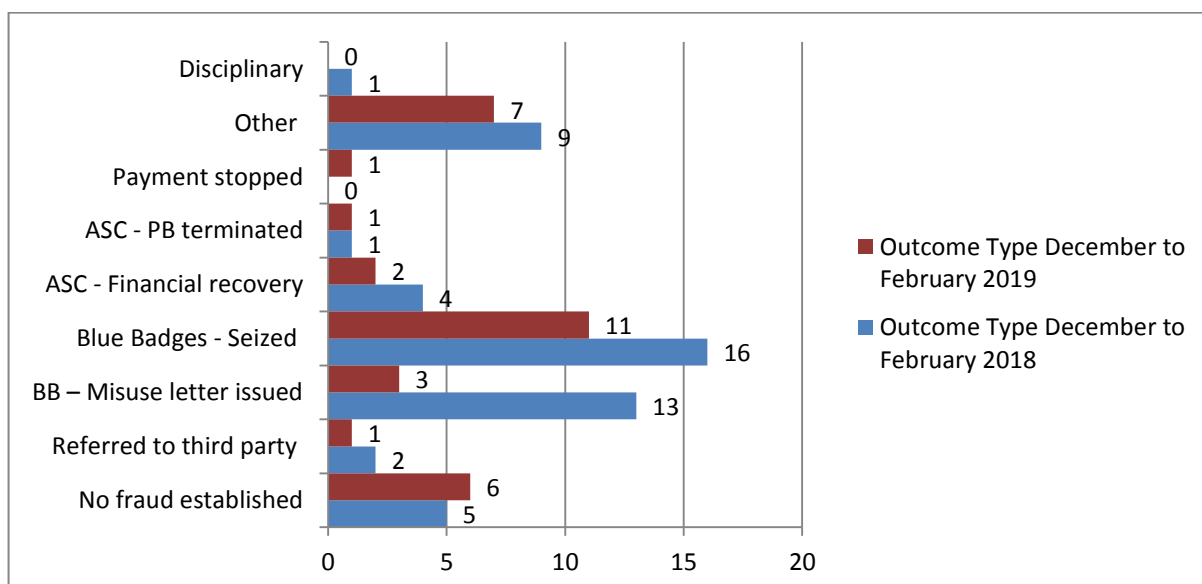
- Anti-fraud and corruption
- Anti-bribery and money laundering.

3.3.10 In addition, the Counter Fraud Team have completed fraud awareness sessions for the following teams:

- Social work teams (Working Age Adults – North Essex team)
- Corporate Operations Team

Outcomes

3.3.11 During the period 1 December 2018 to 28 February 2019, the following outcomes and sanctions have been achieved:



Financial Recoveries

3.3.12 In addition to the savings identified during the data matching exercise, this period **£106,591** (year to date **£216,236**) was recovered related to fraud matters and a further **£4,519** (year to date **£144,010**) was identified and in the process of being recovered.

3.3.13 It is estimated that during the reporting period **£25,500** future losses were prevented. These mainly related to personal budgets (adult social care) which have been reduced or terminated during the year due to fraud or misrepresentation of circumstances, such as care needs have been overstated, misuse of funds, deprivation of assets. Future losses are estimated as the annual value of a personal budget (i.e. the cost to ECC if the personal budget had continued to be paid until the next social care review).

3.3.14 Notional savings of £6,325 (year to date £27,600) have been identified as 11 (year to date 48) expired blue badges have been taken out of circulation, each badge being attributed a value of £575 (figure determined by the Cabinet Office).

4. Financial Implications

4.1 There are no financial implications as the Internal Audit and Counter Fraud activity 2018/19 will be met within existing resources.

5. Legal Implications

5.1 Internal Audit is a key way in which councillors can be assured that the Council is using its resources effectively and that the Council is discharging its fiduciary duties concerning taxpayers' money. It helps services to design systems which have appropriate controls and also helps identify and respond to breaches if they occur. This report seeks to update the Audit, Governance and Standards Committee on the activities of the Council's Internal Audit and Counter Fraud service for the purposes of providing further assurance.

6. Equality and Diversity Implications

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

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

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

7. List of Appendices





Appendix 1 - Current assessment rationale for grading the priority of recommendations in Internal Audit reports.

Appendix 2 – Critical and Major Recommendations which are overdue for implementation as at 11 March 2019

8. List of Background Papers

Internal Audit reports

Current assessment rationale for grading the priority of recommendations in Internal Audit reports

Risk rating	Assessment rationale
 Critical	<p>Critical and urgent in that failure to address the risk could lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Significant financial loss (through fraud, error, poor value for money) ▪ Serious safeguarding breach ▪ Life threatening or multiple serious injuries ▪ Catastrophic loss of service ▪ Failure of major projects ▪ Critical Information loss leading to Information Commissioner's Office (ICO) referral ▪ Reputational damage – Intense political and media scrutiny i.e. front-page headlines, television coverage. ▪ Possible criminal, or high profile, civil action against the Council, Members or officers. ▪ Intervention by external agencies <p>Remedial action must be taken immediately</p>
 Major	<p>Major in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ High financial loss (through fraud, error, poor value for money) ▪ Safeguarding breach ▪ Serious injuries or stressful experience requiring medical treatment, many work days lost. ▪ Significant disruption to service (Key outcomes missed, some services compromised. Management action required to overcome medium term difficulties) ▪ Major Information loss leading to internal investigation ▪ Reputational damage – Unfavourable external media coverage. Noticeable impact on public opinion. ▪ Scrutiny required by external agencies <p>Remedial action must be taken urgently</p>
 Moderate	<p>Moderate in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Medium financial loss (through fraud, error or poor value for money) ▪ Significant short-term disruption of non-core activities ▪ Scrutiny required by internal committees. ▪ Injuries or stress level requiring some medical treatment, potentially some work days lost ▪ Reputational damage – Probable limited unfavourable media coverage. <p>Prompt specific action should be taken</p>
 Low	<p>Low in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Low financial loss (through error or poor value for money) ▪ Minor errors in systems/operations or processes requiring action or minor delay without impact on overall service delivery schedule. Handled within normal day to day routines. ▪ Reputational damage – Internal review, unlikely to have a wider impact. <p>Remedial action is required</p>
Assurance Level	Description
Good	Good assurance – there is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be of Low risk rating. Any Moderate recommendations would need to be mitigated by significant strengths elsewhere.
Adequate	Adequate assurance – whilst there is basically a sound system of control, there are some areas of weakness, which may put the system/process objectives at risk. There are Moderate recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any Major recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
Limited	Limited assurance – there are significant weaknesses in key areas in the systems of control, which put the system/process objectives at risk. There are Major recommendations or a number of moderate recommendations indicating significant failings. Any Critical recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
No	No assurance – internal controls are generally weak leaving the system/process open to significant error or abuse or reputational damage. There are Critical recommendations indicating major failings

Overdue Critical and Major Internal Audit Recommendations as at 11 March 2019

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
Continuing Healthcare Funding (ASC7 1718)	Adult Social Care	Recording on Mosaic Introduce quality assurance checks to ensure that relevant details are recorded on Mosaic and that an adequate case record is maintained.	30/04/18	Update as at 21 January 2019: New process agreed between ECC and the 5 CCG's across the Essex area which reflects the New National Framework. This covers all aspects of progression of recording decisions on Mosaic; this is implemented and in use. The agreed practice guidance is loaded on to the Adult Social Care Practice Library. Audit Comment: A follow up Internal Audit review is currently being undertaken.	Director for Local Delivery, Adult Operations	Major Risk
IT Strategy Review (1617 ICT8)	Corporate Development	Strategic Alignment/Governance Absence of key performance indicators (KPIs) to monitor Return on Investment (RoI)	30/09/19	Update as at 25 October 2018: Current activity with SOCITM resource to ensure RoI for all future IT change activity through 3PM approach and all future ECC business cases to demonstrate RoI. <i>Implementation date revised and owner changed on 21 November 2018.</i> <i>Three monthly status reminder update emails sent since but no further update provided until 12 March 2019.</i> <i>As previously highlighted the former IS Strategy is superseded by the Technology Services OD which now being transitioned to. Therefore the KPI for ROI must be realigned to be appropriate for the new OD structure, strategic direction and TS Portfolio. Therefore this identified risk should be reviewed as part of an audit review of the effectiveness of the new TS OD. New target date of 30 September 2019.</i>	Interim Director of Technology Services	Major Risk
Deprivation of Liberty (DoLS) (ASC6 1718)	Adult Social Care	Timeliness of DoLS Decisions Best endeavours need to be made to ensure DoLS assessments and decisions are	31/07/18	Update as at 22 November 2018: Actions to be taken: 1. Triage system review: DoLS team are now adding the oldest historic cases to the priority list so this is now up to 2016. 2. Work with external agency: Allocation of 40 cases per	Director, Safeguarding & Quality Assurance (Adult Social Care)	Major Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
		progressed promptly and issued within the statutory timescales, in a cost efficient way, having regard to the financial budget available.		<p>month since to external agency since December 2017. Current progress means online with projection to complete 500 cases. Regular meetings with ECC DoLS Team and the provider.</p> <p>3. Review of targeted use of BIA's: Frontline staff (social workers) prioritised for this years training to achieve maximum potential allocations. Due to re-organisation in ASC, some qualified staff were displaced and others moved into new roles resulting in less capacity to complete assessments. Reduced volume of re-approvals BIA's as a result.</p> <p>4. Financial penalty: Learning agreement completed by staff on undertaking the training is now strengthened to support accountability for allocations, awaiting ALT approval.</p> <p><i>Three monthly status reminder update emails sent since but no further update provided.</i></p>		
Social Media (1718 COR4)	Corporate Development	Approving access to and awareness of social media application use	30/09/18	<p>Update as at August 2018 and 12 December 2018:</p> <p>Aug: Portal cannot be updated in Supportworks, IG team providing individual discussions with officers. New social media team being appointed.</p> <p>Dec: A chapter in the Communications and Marketing toolkit being finalised and implemented.</p> <p><i>Two monthly status reminder update emails sent since but no further update provided.</i></p>	Communications and Marketing Manager	Major Risk
Social Media (1718 COR4)	Corporate Development	Security of social media accounts – password sharing.	31/10/18	<p>Update as at 12 December 2018:</p> <p>A comprehensive audit took place to confirm the nature of all accounts (150+ across the organisation) including whether business or personal accounts, who owns and has access to these. Majority of accounts have been moved to business accounts. Work has taken place to ensure accounts are accessed via Hootsuite. Some resistance experienced which is being picked up as part of the expectations of the new Communications Network.</p> <p><i>Two monthly status reminder update emails sent since but no further update provided.</i></p>	Communications and Marketing Manager	Major Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
Absence Management (1718 COR5)	Organisation Development and People	Notifications to Line Managers/ Management Information on Compliance.	30/09/18	Update as at 22 February 2019: The technology to replace the time management module of TCS will now be included in the technology services programme to look at ERP solutions, so likely to take a longer time frame. However, we are currently reviewing our workforce management information that will be sent to all line managers for action and this requirement will be on the development plan to provide this level of information.	Head of People Insight and Technology	Major Risk
Facilities Management (1718 COR15)	Infrastructure and Environment	Capacity Report to the new line management for EPF on the team's current resources to clearly articulate: <ul style="list-style-type: none"> any risks this poses to delivering required facilities management tasks and the consequences of any non-delivery any benchmarking of in-house client-side management of similar contracts in similar organisations The risk of current or foreseeable future resource capacity should either be clearly accepted or further action taken to manage the risk.	20/02/19	Update as at 22 January 2019: Essex Property and Facilities have filled posts and are now looking to fill 1 more of 2 vacancies in the Property Management role/s. One vacancy to be held open for this financial year 2018/19 pending review of current delivery model.	Head of Facilities Management	Major Risk
Social Care Case Management (1718 C4)	Corporate and Customer	Mosaic Compliance with General Data Protection Regulation (GDPR)	21/01/19	Update as at 18 February 2019: The information governance elements of the recommendation have been completed via the January 2019 system update.	Head of Democratic Services	Major Risk

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
Social Care Case Management (1718 C4)	Corporate and Customer	Retention of Records	31/12/18	Update as at 25 January 2019: A revised retention policy is being developed, to feed into the Information Governance Retention Working Group. Legal advice from Essex Legal Services on current social care retention best practice and required / recommended time periods is being requested.	Director for Local Delivery Adult Operations	Major Risk
Personal Budgets (Families) (1718 C2)	Children Families and Education	Direct Payment Agreements	31/12/18	Update as at 26 November 2018: All teams are now saving the DP agreement under the same heading. DPs are signed off on Mosaic by Service Managers, who check that the DP agreement is uploaded and signed. A financial monitoring form will be added to Mosaic. A business case is being prepared to establish 2x DP monitoring roles to replace capacity lost by deletion of 4x Resource Co-ordinator roles. <i>Two monthly status reminder update emails sent since but no further update provided.</i>	Service Manager, Mid	Major Risk
Personal Budgets (Families) (1718 C2)	Children Families and Education	Monitoring and Review	31/12/18	Update as at 19 November 2018: Mosaic continues to be amended to improve entry by social workers, adding a RAG rating to assessments will be implemented and has been attempted but caused some system issues. This is due as an update. Monthly performance reports are run by Organisational Intelligence which include Children & Family assessments and Child in Need (CIN) plans. We have added CIN plans within 6 months to the monthly performance arrangements. This is shared with Directors of Local Delivery and Service Managers monthly across all 4 quadrants. Each case is represented to panel at least annually; panel paperwork and Child in Need plans do give consideration to needs and outcomes. There is currently a policy and guidance working group to amend and update all guidance inclusive of Direct Payments. All cases agreed outside of panel i.e. 6 hours will be presented to panel should they be required beyond 12 months. A business case is being prepared to establish 2x DP monitoring roles to replace capacity lost by deletion of 4x Resource Co-ordinator roles. <i>Three monthly status reminder update emails sent since but no</i>	Director, Local Delivery, South	

Audit Review Title	Function	Recommendation	Latest Target Date	Last Status Update	Owner	Rating
				<i>further update provided.</i>		
Business Continuity (1516 COR12)	Corporate and Customer Services	Third Party Dependencies	31/12/18	Update as at 26 November 2018: This is currently on hold until the redesign of the Business Continuity Management System within ECC is complete. Third party dependencies and their business continuity procedures will be included in the redesign process.		Major Risk
Oracle Integrated Assurance Review (1718 KF1)	Corporate and Customer Services	Production and reporting of income recovery management information	31/12/18	Update as at 20 November 2018: Information and the recovery/collection status of each debt is not readily available. This will require a system change request (to the supplier) to allow access to this 'subject area' of the Accounts Receivable (AR) database which has now been submitted. In the interim, budget holders (BH) and now cost centre managers (CCM) can access debt information through their Business Intelligent (BI) Dashboards. To support the dashboard information, a BI aged debt report that will enable BH and CCMs to run debt reports as required, is being explored. These are currently available to Finance staff. In addition, the Income Team recently produced a 'draft' Income Performance Pack. This is still in the early stages of development and while Excel driven, it is intended that relevant AR Sundry Debtor information from this pack will be made available to Functions in the near future and pending the development of an improved BI Dashboard solution.	Head of Financial Support and Income	Major Risk