



Internal Audit & Counter Fraud Progress Report

**September 2022 – December
2022**

Introduction

The Audit Governance and Standards Committee has a role to maintain oversight and to monitor the effectiveness of internal controls, governance and risk management arrangements as well as the work of Internal Audit and Counter Fraud.

This report provides the Committee with the current position regarding activity in relation to the 2022/23 Internal Audit and Counter Fraud Plan (approved by the Audit, Governance and Standards Committee in March 2022). It reflects the situation as of 31 December 2022.

As part of the Committee's role to assess the adequacy of the Council's internal control environment, the Committee also receives regular updates on progress being made by service areas on whether timely and effective remedial action is being taken to resolve any significant control weaknesses that have been identified through our Internal Audit work.

The activity undertaken by Internal Audit and Counter Fraud in 2022/23, together with the work of other assurance providers, contributes to the Chief Audit Executive's overall annual opinion on the Council's systems of control for inclusion within the 2022/23 Annual Governance Statement.

Internal Audit Activity

Final Internal Audit Reports Issued

When Internal Audit issues a report it gives an overall assurance rating which is either 'Good' 'Satisfactory' 'Limited' or 'No' Assurance. Recommendations are graded as Critical, Major Moderate or Low. **Nine** final reports have been issued since September 2022, as detailed in the table below:

Assurance Rating	Audit Title	Recommendations Made			
		Critical	Major	Moderate	Low
Good	Treasury Management	0	0	0	2
Satisfactory	Software Licenses	0	0	2	0
Satisfactory	Youth Offending IT Systems and Key Performance Data	0	0	3	0
Satisfactory	ASC - Management Information & Key Performance Indicators	0	0	3	0
Satisfactory	Education Information Management System (EIMS) – Capita One Education	0	0	2	1
Satisfactory	Social Value	0	0	3	0
Reasonable Progress	IT Asset Management – Follow up	N/A	N/A	N/A	N/A
Limited	Essex County Wide Travellers Unit (ECTU) – Follow up	N/A	N/A	N/A	N/A
N/A	Schools Thematic Review - Payroll	<i>No assurance opinion – advisory / consultative approach.</i>			

Full Internal Audit reports can be provided to Committee Members upon request.

Limited Assurance Reviews

No new Limited Opinion reports have been issued in the period.

Our follow up review of Essex County Wide Travellers Unit found that the original major risks identified have not all been mitigated by the progress made at this time and therefore the original Limited Audit Opinion remains. This includes the major action relating to the lack of a site management plan for which there is still no budget allocated, as identified in the original audit.

Grant Claims (updated as at Nov 2022)

We have completed a review of the following **grant claims**:

- BLUEPRINT – Interreg (European funded project led by Essex County Council to help local authorities move to a circular economy by the efficient use of resources when manufacturing products)
- EMPOWER – Empowering the citizens – Towards European Energy Market 2.0 (Enabling More People's Ownership in Energy transition)
- LECSEA - Local Energy Communities for the 2 Seas region
- Bus Services Support Grant
- Community Renewal Fund
- SCITT – Teachers Training Bursary Return
- Supporting Families Q3 Return

Implementation of Internal Audit Recommendations

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. The current assessment rationale for grading the priority of recommendations made is attached at Appendix 1.

Between 1 September and 31 December 2022, the following number of recommendations have been marked as closed (based on justification received from recommendation owners):

Risk Rating	Number Recorded as Closed between 1 September and 31 December 2022
Critical	0
Major	2
Moderate	13
Total:	15

Critical or Major recommendations which have not been implemented within the agreed timescale are reported to the Audit, Governance and Standards Committee.

As at 31 December 2022 there were **13** Major and **95** Moderate recommendations open. There are no open Critical recommendations.

8 of the open **Major** recommendations are more than one month overdue compared to their latest agreed implementation date. This number has reduced by 3 with the number reported in our October 2022 Progress Report.

There are **43 Moderate** recommendations more than six months overdue compared to their latest target date for implementation. This number has increased by 16 compared to that reported in October 2022.

We are running a small project over the next 3 months to review the moderate and major recommendations to ensure that they are still relevant, owned by the correct person or have been implemented but not reported as such.

The open Major recommendations as at 31 December 2022 are detailed in Appendix 2.

Changes to the 2022/2023 Internal Audit and Counter Fraud Plan

The following changes are recommended in relation to delivery of the Internal Audit and Counter Fraud Plan in 2022/23:

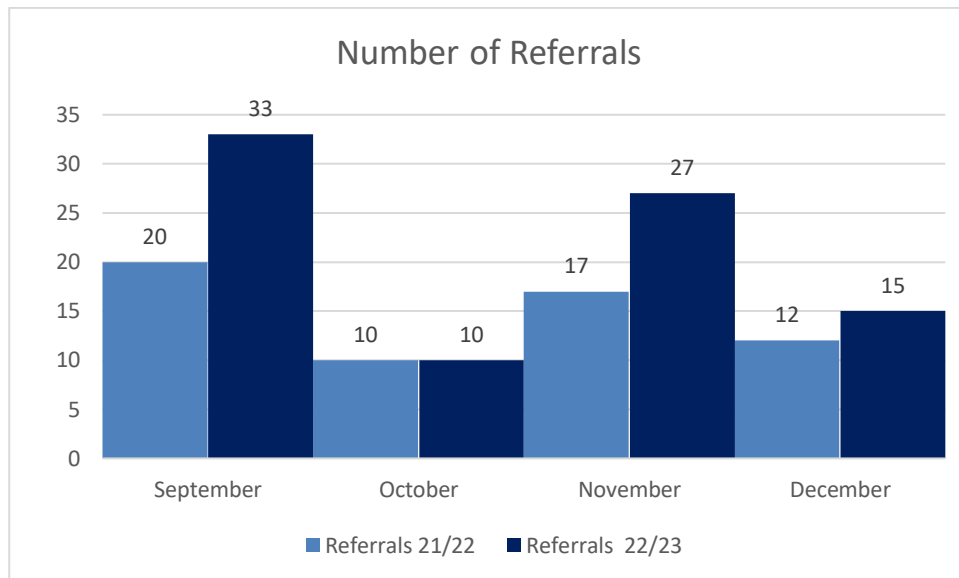
Audit Title	Update
<i>Business Cases</i>	To avoid duplication with work recently undertaken by Delivery Assurance, we suggest the audit should not be undertaken.
<i>Data Quality Assurance</i>	This was originally intended as a stand-alone audit; however we have found that better added value and assurance is provided where we cover Data Quality as a standard part of all appropriate audits. In addition, the Audit and Counter Fraud Data and Intelligence Specialist is also working on specific data exercises to help focus assurance testing. We therefore suggest that the stand-alone audit does not take place.
<i>Integrated Waste Handling</i>	The plan for the 2022/23 work was to top up early assurance findings from the 2021/22 plan by looking at the management of business-as-usual (BAU) processes. The service has since carried out their own lessons learned process and as such it would add more value for our audit to take place after this has bedded in therefore it is suggested that we defer coverage until early 2023/24.
<i>Delivery of Everyone's Essex</i>	Everyone's Essex was included in the 22/23 plan when it was in development. It is not feasible nor would it add value to audit every aspect. We therefore suggest that we revisit for the 2023/24 Audit Plan and consider if there are any specific aspects to cover (based on risk).

Counter Fraud Activity

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.

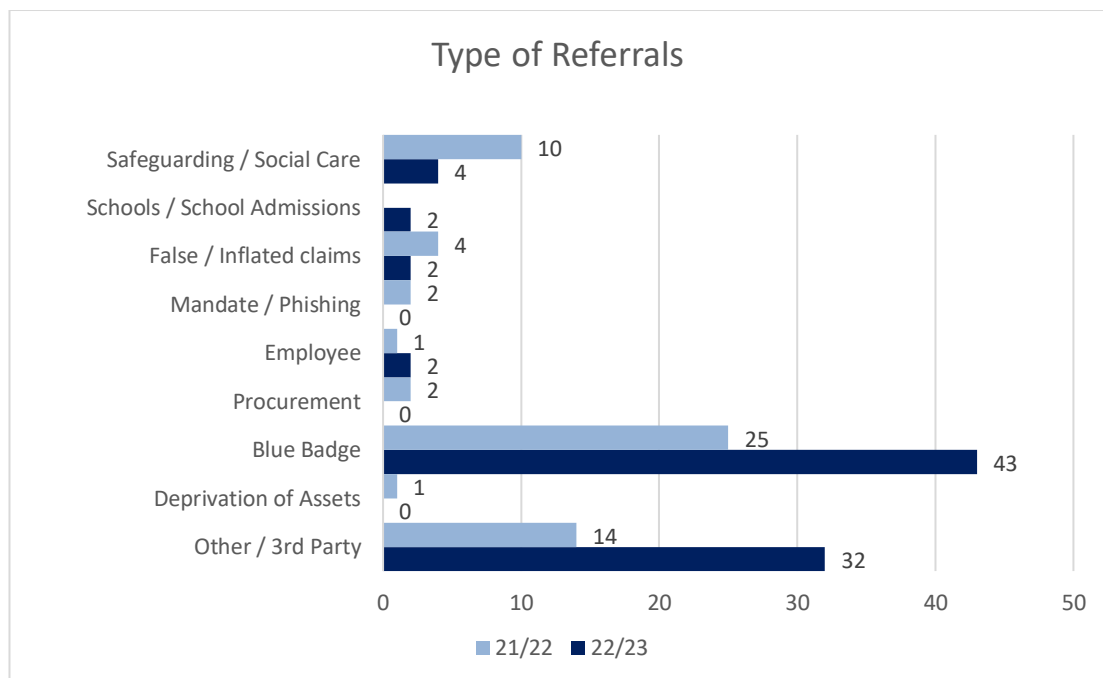
Fraud Referrals

The total number of fraud referrals received for the period 1 September to 31 December 2022 is **85**. The total referrals received during the same reporting period for 2021/22 amounted to **59**, being a slight increase in blue badge related referrals.



Types of Referrals

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



Proactive Work

Data Matching

The Counter Fraud team includes a Data and Intelligence Specialist. Data matching/ analytical work has been completed during the 4 month period in the following areas:

- Covid funding forwarded to Adult Social Care Providers. An analysis is being completed of the total covid related funding that has been forwarded to providers, per individual provider. A sample of 22 providers was selected for review and evidence requested to confirm that funding has been spent in accordance with the relevant grant agreements. To date, one provider has been requested to repay £15,600 relating to a slight over-claim on some of the funding streams. 7 providers have been reviewed and no issues identified, 12 providers have been requested to provide additional information and 2 providers have so far not provided any information.
- Work continued during October and November to collate and format all respective data sets required for inclusion within the 2022 NFI exercise (see below).

National Fraud Initiative Data Matching Exercise and NFI Fraud Hub

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. Returned matches have been reviewed and investigated as appropriate.

The mandatory submission for datasets including payroll, pensions, payables and blue badges was completed in November 2022 with the resultant matches anticipated to be returned during January / February 2023 for further review and investigation.

In addition to the mandatory data matching, the Counter Fraud Team subscribe to the NFI Fraud Hub. 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 were originally 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 us not having to pursue monies paid in error.

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 October 2022, 376 matches have been forwarded to ECC Pensions for their review. Of the 376 matches, 332 have been investigated and closed down, with 44 matches returned at the end of December 2022 still under investigation.

To date, savings have been recorded as **£101,334** in relation to pension payments that have been recovered.

Fraud Awareness Training

As at 31 December 2022 the percentage of staff that have completed the recently refreshed e-learning modules relating to the fraud modules are as follows:

- 77.7% - Anti-fraud and corruption
- 77.8% - Anti-bribery and money laundering.

Staff who have not yet completed the modules have been reminded to do so. A system change within HR has meant that reminders have only been issued within the last month.

Additional bespoke training sessions have been completed as follows:

- Understanding Fraud in Adult Social Care (two sessions for the Essex Social Care Academy)

Counter Fraud Outcomes

During the period 1 September 2022 to 31 December 2022, the following outcomes and sanctions have been achieved:

Outcomes	September-December 2022/2023	September – December 2021/2022
Prosecutions	1	0
Disciplinary Action	0	0
No Fraud Established	8	4
Phishing / Referred to third party	1	3
Blue Badge - Misuse Letter Sent	12	4
Blue Badge - Seized	14	6
ASC - Financial Recovery	0	2
ASC - PB terminated/reduced	1	1
Other - Financial Recovery	0	0
Other - Misuse Letters	0	0
Payment Prevented	0	0
Other	7	3

**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.*
- *Additional guidance provided in instances where weaknesses in the control framework have been identified.*

Outcome of Prosecution

Vinay Sikand was the Director of QH The Cedars Ltd, who operated The Cedars Residential Care Home, Halstead, Essex from 2017 until it was sold in October 2020. This was the only residential home in Essex run by the QH group.

During 2020 grant claims were submitted to Essex County Council from QH The Cedars for funding under the Adult Social Care Covid Relief Fund and Infection Control Fund totalling £82,959.86.

Following concerns raised by the new owner an investigation was undertaken by the council's Counter Fraud Team who identified that a number of invoices produced to support the claims had been falsified and that the majority of the claims were in fact fraudulent. Vinay Sikand was charged with 5 offences contrary to sections 1, 2 & 12(2)(a) of the Fraud Act 2006, totalling £58,500. Funding has been returned in full to ECC.

On 16 November 2022 at Chelmsford Crown Court Vinay Sikand pleaded guilty to the 5 charges of fraud. On 6 January 2023 Vinay Sikand received a 12 month custodial sentence, was struck off from being a Company Director for 36 months and ordered to pay costs of £25,000. The sentence is currently being appealed.

Summary of Current Cases

During the last four month period, the Counter Fraud team have received referrals relating to Adult Social Care Direct Payments and covid related grant claims. All cases are in the process of being investigated.

Update of Cases relating to the Essential Living Fund

During 2022/2023 4 cases relating to the Essential Living Fund were investigated following concerns that recipients of white good items were immediately offering the goods for resale on social media sites. Where goods were found to be no longer in the recipients possession, the individual has been blacklisted from further requests for assistance via this fund and invoices issued to recoup funds, where possible.

Financial Recoveries

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

	September to December	September to December
	2022/2023	2021/2022
ACTUAL - Monies Recovered	82,959.81	48,257.54
ACTUAL - Monies in Recovery	15,600.00	0.00
NOTIONAL - Future Losses Prevented	0.00	9,855.00
NOTIONAL - Estimated Losses**	37,316.60	0.00
TOTAL	135,876.41	58,112.54

** Estimated losses relate to potential over-inflated covid grant claims based on vacant room rates charged by the respective provider and the amount deemed to be repayable by ECC.

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).





Notional savings of £8,050 have also been identified as 14 expired blue badges have been taken out of circulation, each badge being attributed a value of £575 (figure determined by the Cabinet Office).

List of Appendices

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

Appendix 2 Open Major Recommendations.

Appendix 1 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.
Satisfactory	Satisfactory 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

Appendix 2

Open Major Internal Audit Recommendations as at 31 December 2022

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
Personal Budgets (Families) (Direct Payments) (1718 C2)	Monitoring and Review Implement a robust process to ensure all cases with Direct Payments are managed effectively, including monitoring of spending.	31/12/18	29/01/21	17 November 2022: It remains a concern that the adults monitoring of DP is still not replicated in children, we are still waiting for this to be agreed. A further meeting is due to discuss further. In order to support ECC savings targets there is currently a countywide review of all DP and every DP will be reviewed by the first week in January which does significantly reduce the risk.	Director Local Delivery, Children and Families	Major
Absence Management (1718 COR5)	Notifications to Line Managers/ Management Information on Compliance	30/09/18	31/10/21	18 August 2021: Work on the Corporate Systems Programme continues, with delivery due in October 2021 and this need fed into requirements. In the meantime, reporting of individuals reaching absence triggers is due to be included within monthly People Performance packs starting within Q2 2021/22. Audit Comment: <u>An Audit review of Absence Management is planned for Q4 2022/23 when we will undertake a review of progress against this action.</u>	Head of People Insight and Technology	Major
	Completeness of Return-to-Work Action	30/09/18	31/10/21	18 August 2021: The requirements for this have been built into the My Oracle design and are currently undergoing testing. These new features will form part of the My Oracle launch in October 2021. Audit Comment: <u>An Audit review of Absence Management is planned for Q4 2022/23 when we will undertake a review of progress against this action.</u>		Major

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
Building Security (1920 PPH5)	Partner Organisation Leaver Process	31/08/19	14/05/21	17 October 2022: New Manager / Recommendation owner took over recently. Advised there are longstanding issues with regards to obtaining third party leaver information. A solution has now been identified and new manager is progressing implementation. Audit Comment: Previous Facilities Manager left, and the new post holder has only recently been appointed and allocated this action.	Facilities Manager	Major
Review of Utility Invoice Processes (1920 PPH8)	Energy Profile Audits: In line with the contractual agreement all properties should have an Energy Profile Audit conducted every 12 months and be reported in line with the template provided in the contract.	31/12/20	30/04/22	09 June 2022: A follow up of this audit occurred in the 2021/22 financial year, the final report was issued 21/03/22. Review of Energy Profile Audits is being picked up as part of the wider review of the D2 Specification for Energy as well as ongoing discussions around reporting and streamlining the provision of management information systems to be able to provide this. As this recommendation has not been fully implemented, it remains open. A revised target date for end April 2022 was sought when the follow-up report was finalised.	Procurement Specialist	Major
IT Disaster Recovery (2021 F19)	IT Disaster Recovery Testing	30/09/22	31/05/23 (not yet due)	06 December 2022: The actions are undergoing replanning to accommodate resourcing for essential dependencies of DR Testing: i) SQL Failover design and remediation ii) Refactoring of Availability Groups iii) Applications failover planning. As such, the target date for remediation has been extended to align with the Cloud programme phase 2 of May 2023 – DR Testing is planned to recommence from Feb 2023, subject to resource availability, with an initial period to iron out teething issues with the new process.	Head of Technology Operations	Major

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
	Incomplete Business Impact Analyses (BIA)	30/09/22	31/05/23 (not yet due)	01 December 2022: As an outcome of discovery analysis undertaken, replanning and resource assessment is underway to enable a fit-for-purpose risk matrix to be created, tracking tiers of Disaster Recovery events and associated IT capability against the Recovery Time Objectives (RTO) and Recovery Point Objectives. This is to be aligned to dependencies on the Cloud programme schedule, the updating of RTOs in Continuity2 and formulation of a joint plan with EP&R to complete the RPO information. As such the revised deadline has been extended to May 2023 with a plan of interim milestones to be published by end Dec 22.	Head of Technology Operations	Major
IT Asset Management (2021 FT17)	Leavers Not on The Corporate System (TCS) and Inactive Assets	01/09/22	31/12/22	22 August 2022: A follow up review has recently been undertaken. Testing evidenced that there are still issues in recovering assets from Non-TCS (now Non-MyOracle) Leavers. The recommendation remains open with plans in place to address the residual risk by the end of December 2022.	Head of Technology Operations	Major
Country Parks (2021 PPH9)	Stocktake and Reconciliations	31/12/21		29 September 2022: There have been recruitment difficulties, delaying full implementation. Food and Beverages Manager has now started and is working on a business case for required investment in outlets, including an 'electronic point of sale' (ePOS) system with supporting infrastructure. Audit Comment: An Internal Audit follow-up review of Country Parks is underway. It is noted that implementation will not be verified until after the ePOS has been procured and utilised to allow the expected control improvements.	Commercial Operations Manager	Major
	Absence of a stock write off and stock discounting procedures	31/12/21			Commercial Operations Manager	Major
Essex Traveller Unit (2021 PPH6)	Site Management Plan	31/03/22	31/03/23 (not yet due)	30 September 2022: A follow up review has recently been undertaken. There is evidence of increased engagement with Councillors, ECC Services, District and Borough Councils, and Heads of Service, which is enhancing the Service's visibility across ECC. As yet, funding decisions have not been agreed. As such, the financial constraints in which the Gypsy & Travellers Service is working are still in place and will determine the future planning for the Service. The recommendation remains open with a revised due date of March 2023.	Wellbeing, Place and Communities Lead	Major

Audit Review Title	Recommendation	Original Target Date	Latest Target Date	Last Status Update	Owner	Risk Rating
Housing Infrastructure Fund (HIF) (2122 FT19)	Disconnect between Bid and Delivery	30/09/22		04 July 2022: Verbal assurance received to suggest that the structure of the Highways and Transportation service now allows for individuals involved in the bidding stage and the delivery stage to better coordinate. Advised that the relevant project sponsor is now involved with the bid process to allow them to assess the feasibility of the bid. Once supporting evidence is provided this action can be closed.	Director Highways & Transport	Major
Accounts Receivable (2122 FT12AR)	Advanced Collections Screen	31/12/22		13 September 2022: We are currently working with Evosys to resolve this issue as there are still missing customers on the September portfolios	Service Manager	Major