

Committee: Performance & Audit Committee

Agenda Item

Date: 13 February 2014

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Title: Internal Audit Anti-Fraud & Corruption Work

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Item for information

Summary

1. The purpose of this report is to advise members of the anti-fraud and corruption work being undertaken by the council's Internal Audit section.

Recommendations

2. The Committee is requested to note this report and its appendix.

Financial Implications

3. There are no direct financial implications.

Background Papers

None

Impact

- 4.

Communication/Consultation	none
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

Situation

5. From 01 April 2010, Internal Audit assumed responsibility for promoting the council's anti-fraud and corruption policies and our objective is to raise internal and external awareness of fraud and corruption and of the various actions that the council is taking to prevent, identify and counteract it. These include carrying out a Fraud & Bribery Risk Assessment, revision of the Council's Corporate Anti-Fraud & Corruption Strategy and Policies and working towards the introduction of e-learning training course on Fraud Awareness and Whistleblowing for staff and members.

Protecting the Public Purse 2013

6. In recent years both Central and Local Government organisations have identified a need to increase the level of awareness of the potential of fraud against Local Government and of measures that authorities can take to improve their counter fraud and fraud awareness arrangements.
7. A number of initiatives to assist local authorities in their counter fraud activities have been launched; the most applicable of these for Uttlesford DC is PROTECTING the PUBLIC PURSE – (Fighting fraud against Local Government) published by The Audit Commission. This is an annual publication, most recently published in November 2013 and includes self-assessment checklist for Local Authorities to consider their own levels of effectiveness in fraud prevention and detection. A copy of the publication is available on the Audit Commission's web-site <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf> ; a summary of the most significant issues raised in the 2013 publication is included as an appendix to this report.
8. The Audit Commission are in the process of preparing individual fraud briefings for each local authority. This will be sent directly to the External Auditor for the authority and will be made available to the authority's audit committee on request.

Fraud & Bribery Risk Assessment 2013

9. During 2013, the Internal Audit Manager carried out an assessment of the Council's current level of counter fraud activities and fraud awareness based on the checklists from the November 2012 and 2013 Protecting the Public Purse publications in conjunction with an updated Bribery Act 2010 risk assessment.
10. The results of these two assessments and recommendations aimed at improving the Council's levels of effectiveness in fraud awareness and prevention have been discussed and recommendations agreed by CMT at its meeting on 13 January 2014.
11. A total of 18 recommendations have been agreed which include:
 - Review and updating the Council's strategy and policies;
 - Establishment of a corporate Counter Fraud Working Group (CFWG), comprising of managers/team leaders of all interested services areas e.g. Internal Audit; Enforcement; Housing; Revenues & Benefits;

- Development of a Fraud Response Plan with instructions on how and to whom possible fraud issues must be reported
 - Training for staff and members;
 - Investment in the use of internal and external data matching and analysis.
12. A copy of the assessment, recommendations and management action plan will be made available to members on request.
13. Work is underway towards implementing the recommendations and an update on progress along with the revised Corporate Counter Fraud Strategy and Policies is expected to be brought to the next meeting of the Performance & Audit Committee.

National Fraud Initiative (NFI)

14. The Audit Commission's National Fraud Initiative (NFI) is a data matching exercise which compares information held by and between around 1,300 organisations including councils, the police, hospitals and nearly 100 private companies to identify potentially fraudulent claims, errors and overpayments for investigation by participating organizations. All district councils are required to participate, each council appointing a NFI Key Contact responsible for coordinating and monitoring the overall exercise within their council and providing feedback on its outcome.
15. The Internal Audit Manager is the Council's NFI Key Contact and has responsibility for coordinating the 2012/13 NFI exercise which commenced in May 2012. A total of 10 Internal Audit Manager days has been spent on the 2012/13 exercise and it is anticipated that a further 2-3 days may be needed to service the coordination of the forthcoming 2013/14 exercise including the Council Tax to Electoral Register data matches due to be made available to local authorities in March 2014.
16. The total number of data matches received in January 2013 for this authority was 628 which included data matches already checked in the previous exercises. The 2012/13 matches cover 5 service areas – Enforcement; HR & Payroll; Housing; Finance and Internal Audit
17. As the Council has limited resources available to carry out data match checks it was agreed at the outset of this exercise with the Assistant Chief Executive – Finance that the Council's checks would be restricted to the 399 new matches along with any specific enquiries from other participating organisations.
18. We have carried out 100% checks on these 399 matches, of which 394 have been completed resulting in a total of 5 frauds and 2 errors being identified.
19. To date the resource cost to the Council of the NFI 2012/13 exercise is estimated at £2600; the 5 frauds identified have a net recoverable value of £10,122.70

Non-Benefit Fraud Investigation Work

20. During 2013/14, Internal Audit has been involved in two non-benefit fraud investigations, one currently in progress and the other has been referred to the police via Action Fraud (the UK's national fraud and internet crime reporting centre).

Risk Analysis

21.

Risk	Likelihood	Impact	Mitigating actions
Financial and reputational risk to the Council if it fails to actively commit to an anti-fraud and corruption strategy	2 = Some risk if public and staff unaware of anti-fraud and corruption commitment	3 = Significant risk of financial loss / penalties and reputation	Participation in NFI Initiatives Corporate Anti-Fraud & Corruption Strategy and Policies

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.