

Committee: Performance & Audit Committee

Agenda Item

Date: 20 November 2014

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Title: Internal Audit Counter Fraud & Corruption Work

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Item for information

Summary

1. The purpose of this report is to update members on the counter fraud and corruption work undertaken by the council's Internal Audit section since the last report to the Performance & Audit Committee on 13 February 2014

Recommendations

2. The Committee is requested to note this report.

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 the Internal Audit Manager chairing of the Counter Fraud Working Group (CFWG), Fraud & Bribery Risk Assessments, revision of the Council's Corporate Anti-Fraud & Corruption Strategy and Policies, co-ordination of the Council's National Fraud Initiative (NFI) data matching exercises.
6. A number of initiatives to assist local authorities in their counter fraud activities have been launched; the most applicable of these for this authority is Protecting the Public Purse currently published by the Audit Commission. This is an annual publication, most recently published in November 2013 with summaries of data from all English local authorities.
7. At the 15 May 2014 meeting of the committee Members received a presentation from the External Auditor of the Audit Commission's individual fraud briefing for this authority, comparing its performance to the other authorities in Essex.

Fraud & Bribery Risk Assessment 2013

8. At the 13 February 2014 meeting of the committee Members received a report on the Fraud Risk Assessment carried out by the Internal Audit Manager 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 carried out by the Internal Audit Manager.
9. A total of 18 recommendations were made aimed at improving the Council's levels of effectiveness in fraud awareness and prevention. Progress towards implementation of these recommendations was been reviewed with CMT on 05 November 2014.
10. Of the 18 recommendations:
 - 12 have been fully implemented
 - 3 are in progress towards implementation
 - 3 recommendations relating to fraud recording and training are scheduled to be discussed at the next meeting of the CFWG**
11. **A copy of the review of recommendations and management action plan will be made available to members on request.**
12. The self-assessment checklist from the November 2014 Protecting the Public Purse publication has been made available early and the Internal Audit Manager will shortly be undertaking a new assessment exercise using this checklist and report to outcomes to members.

Counter Fraud Working Group

13. In line with the recommendations made in the Fraud Risk Assessment, a Counter Fraud Working Group (CFWG) has been established and meets on a quarterly basis. A copy of the CFWG Terms of Reference will be made available to members on request.
14. Work is underway towards revising and updating the Council's Counter Fraud Strategy and Policies; electronic training in Fraud Awareness, Money Laundering and Whistleblowing Policy is expected to be available for all staff and members from January 2014.

CIPFA – Counter Fraud Centre

15. 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.
16. In July 2014 CIPFA Counter Fraud Centre was launched as the UK's centre of excellence for counter fraud, its remit being to lead and co-ordinate the fight against fraud and corruption across the public services. It has brought together several public sector fraud organisations including the National Fraud Authority and part of the Audit Commission.
17. The Counter Fraud Centre will work closely with the Department for Communities and Local Government (DCLG), the National Crime Agency (NCA), Cabinet Office and other agencies to help counter fraud practitioners both here and abroad.
18. In October 2014 the Counter Fraud Centre published the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. It is expected that there should be a statement in the Annual Governance Statement on adherence to this code. A copy of the code is available on the CIPFA web-site <http://www.cipfa.org/-/media/files/publications/reports/code%20of%20practice%20on%20managing%20the%20risk%20of%20fraud%20final.pdf>
19. The Head of the CIPFA Counter Fraud Centre has been invited to give a presentation at the next meeting of the CFWG to CMT and CFWG members on the Counter Fraud Centre and the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

National Fraud Initiative (NFI)

20. 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 organisations. 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.

21. The Internal Audit Manager is the Council's NFI Key Contact and has responsibility for coordinating the 2014/15 NFI exercise which commenced in October 2014 from which potential fraud data matches will be made available to councils on 29 January 2015.

22. A separate Council Tax to Electoral Register data matching exercise is due to start on 01 December 2014.

Risk Analysis

23.

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 Counter 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.