



AUDIT COMMITTEE – 11th JUNE 2014

ANNUAL FRAUD REPORT 2013/14

Executive Summary

- i. Like any organisation of significant size and complexity Barnsley Metropolitan Borough Council is inherently vulnerable to risks of fraud and corruption. In response to these risks the Council has a range of mitigating controls including the Benefit Investigation Section within Benefits and Taxation, enforcement officers in other services and dedicated anti-fraud and corruption resources within Internal Audit.
- ii. A significant amount of work has been achieved, from the limited resources available, in response to the constant need to ensure high levels of anti-fraud awareness and that effective preventative measures are in place.
- iii. This work and improved awareness has been recognised through the Annual Governance Review (AGR) process seeing the total average score for the Authority in respect of the anti-fraud element remain consistent at 3.7/4.0 for the third consecutive year.
- iv. Internal Audit has continued to lead the drive to improve awareness and has issued a mid-year 'Stamping out Fraud' bulletin and guidance during the year.
- v. Internal Audit has recently developed and launched an e-learning anti-fraud training module on the corporate Learning Pool website.
- vi. 2013/14 has seen a reduction in the number of irregular matters referred to Internal Audit. In total 16 referrals were received compared to 29 in 2012/13. These ranged from investigating issues around allegations of computer misuse, theft, attendance and working arrangement issues. 8 cases remained in progress at the end of the year.
- vii. Departmental restructures within the Benefit Investigation Section resulted in the loss of a full time Investigator position. This reduction did affect the number of sanctions achieved, however the number of successful prosecutions remained consistent with those reported in 2012/13.
- viii. Successful prosecutions have been widely publicised to ensure the maximum benefit is achieved as a deterrent.
- ix. Work has also been undertaken through joint operations with other enforcement agencies. These have been successful and serve as a useful deterrent as well.

Report of the Head of Internal Audit and Risk Management

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ANNUAL FRAUD REPORT 2013/14

1. Purpose of the Report

- 1.1 This report provides a summary on the outcome of proactive and reactive anti-fraud and investigation work during 2013/14, with a particular focus on the work delivered by Internal Audit. It outlines some of the areas of emerging fraud risk and the Council's strategic and operational arrangements for managing these risks. The report also refers to areas identified as key priorities during 2014/15.
- 1.2 This report provides information and assurance to the Audit Committee regarding a key aspect of the Authority's risk management, control and governance framework.

2. Recommendations

2.1 It is recommended that the Audit Committee:

- i. **Consider the Annual Fraud Report as part of the framework of assurances to support the Annual Governance Statement;**
- ii. **Continue their support in embedding a culture of zero tolerance and high levels of awareness regarding fraud and corruption;**
- iii. **Receive regular update reports regarding the implementation and success of the Corporate Anti-Fraud and Corruption Strategy.**

3. Background

- 3.1 As a major employer continually seeking to change and transform how it delivers services, and that is engaged in a range of partnerships and activities, the Council is inherently vulnerable to acts of fraud and corruption committed both from within and outside the Council.
- 3.2 The Audit Commission report entitled 'Protecting the Public Purse 2013 – Fighting fraud against local government' published in November 2013 recorded that local public bodies detected fewer frauds, 107,000, compared with 124,000 detected frauds the previous year. However, the value of detected frauds had only slightly reduced from £179 million (2012) to £178 million (2013). More than half of detected fraud losses, £120 million, related to housing and council tax benefits.
- 3.3 In the current economic climate there is a perceived increased risk of fraud due to a tightening of available credit and borrowing. This is certainly true in local government, where budgetary pressures, large spending cuts and difficult decisions over priorities may weaken controls and increase the likelihood of fraud.

- 3.4 Greater focus is now being placed on local government to protect public funds and Barnsley is committed to ensure that increasingly scarce funds are used for the purposes intended, preventing unnecessary loss to fraud or theft and to tackle areas where abuse may occur.
- 3.5 To safeguard public funds and ensure these funds are used for their intended purpose the Council has a zero tolerance approach supported by a strong policy statement and commitment to tackling fraud and corruption. This is backed up by various policies, procedures and codes linked to the Anti-Fraud and Corruption Strategy. This is to help ensure that the people of Barnsley and stakeholders have confidence that the affairs of the Council are conducted in accordance with the highest standards of probity and accountability and that Members and officers demonstrate the highest standards of honesty and integrity.
- 3.6 It is of course an unrealistic expectation to remove and avoid all fraud from an organisation, and particularly one as big and diverse as a local authority. However with a concerted effort from elected members, senior management and all employees it is reasonable to expect that we can reduce and ultimately minimise the incidence and impact of fraud and corruption and thus release valuable resources for front line services.
- 3.7 The Audit Committee have received quarterly updates summarising work undertaken in respect of anti-fraud work and investigations. A six monthly Fraud Management Update Report was also presented mid 2013/14.
- 3.8 Senior managers continue to be aware and accept that anti-fraud and corruption measures start with them. Internal Audit provides an important advisory and guiding role but cannot assume the responsibility for operational anti-fraud controls within services and systems.
- 3.9 The following sections summarise the activity during the year covering corporate pro-active anti-fraud matters and reactive investigation work. Aspects of the activities around benefit fraud are also covered in the report.

4. Pro-active Anti-fraud and Corruption Activity 2013/14

Structure and Roles

- 4.1 Internal Audit acts on behalf of the Director of Finance, Property and Information Services in ensuring the Council has appropriate arrangements to deter, detect and investigate fraud. This role includes the following:
- Driving the continual development of a framework of anti-fraud policies and procedures;
 - Raising awareness of fraud risks and developing mechanisms to maximise the opportunities for fraud risk reporting;
 - Responding to Whistleblowing allegations, referrals and other concerns including those received under the Council's Money Laundering Policy;
 - Investigation of reports of financial or other irregularity;
 - Liaising with South Yorkshire Police to support criminal prosecutions;
 - Delivering a programme of proactive anti-fraud reviews;

- Providing advice and support to managers across the Council and within schools in their own investigation of irregularities;
 - Providing advice and recommendations to managers on appropriate controls to help prevent and detect fraud and corruption;
 - Monitoring anti-fraud activity across the Council.
- 4.2 In discharging this wide range of roles Internal Audit has a dedicated lead auditor for countering fraud and corruption. There is an option to co-opt other officers from the Division should demand dictate.
- 4.3 Internal Audit continues to make positive moves to concentrate more resources on prevention as opposed to investigations. Consequently, more investigations have been referred to departments to undertake (with Internal Audit supervision in many cases). This will continue to be the case in the forthcoming year and beyond but at Internal Audit's discretion subject to the circumstances of the allegations.
- 4.4 In 2013/14 Internal Audit budgeted for 51 days on proactive anti-fraud work and 73 days for reactive / investigative work. Actual work undertaken on anti-fraud work during 2013/14 totalled 119 days whilst 60 days were spent on reactive investigations.
- 4.5 Advice, guidance and instruction have been given to departmental managers throughout the year as a matter of course, in order to equip them when undertaking their own investigations.

Annual Governance Review (AGR)

- 4.6 An ongoing emphasis on raising awareness to prevent fraud (and corruption) in addition to investigating referrals of fraudulent activity has continued throughout 2013/14. This work and improved awareness has been recognised through the AGR process seeing the total average score for the Authority in respect of the anti-fraud element remain consistent at 3.7 (out of 4.0) for the third consecutive year.

Developing an Anti-Fraud Culture

- 4.7 In seeking to minimise losses to fraud and corruption, the ideal situation is one where those contemplating these acts are deterred from doing so. An anti-fraud and corruption culture whereby such activity is seen as unacceptable, combined with individuals' doubts as to whether acts of fraud and corruption can succeed, can serve as a powerful deterrent. Deterrence can in practice be achieved where strong prevention, detection, investigation, sanction and redress processes are in place and effective publicity and communication are developed around them.
- 4.8 In the work to develop the anti-fraud culture throughout the Council, Internal Audit is always looking for new ways to promote the anti-fraud message to reach the largest possible audience. By stressing to all, not only the unacceptability of fraud and corruption but also its serious consequences, the anti-fraud culture is strengthened. Our reactive investigation work and our commitment to take seriously any reported allegations of suspected wrongdoing positively seek to discourage potential fraudsters.

- 4.9 The Council's Corporate Anti-Fraud and Corruption Policy and Strategy emphasises the Council's commitment to the development of an anti-fraud culture. The headline overall action relates to consolidating the anti-fraud culture across all aspects of the Council. These steps will continue in 2014/15 including continuing the broad publicity campaign regarding anti-fraud and corruption matters.
- 4.10 The Internal Audit intranet site contains a dedicated anti-fraud and investigations page. In addition to relevant policies and procedures the page is regularly updated with the latest news and developments to further publicise the anti-fraud message.

Guidance and Training

- 4.11 A further fraud bulletin was issued during the year. The bulletins will continue to be prepared and issued to inform and remind all employees of both the preventative and detection aspects of fraud and corruption. The results of investigations, from within the Authority and from other organisations will continue to be publicised in the bulletins.
- 4.12 Publicising the anti-fraud message, the successes achieved and the work undertaken by Internal Audit to prevent, detect and investigate fraud, apply sanctions and seek redress stimulates the internal anxieties of individuals and influences their subsequent behaviour. Such messages have been communicated in the bulletins and will feature significantly during the current year.
- 4.13 The Council has subscribed to Learning Pool which allows departments to design their own bespoke e-learning courses. Internal Audit has recently developed and launched an e-learning anti-fraud training module on the corporate Learning Pool website.
- 4.14 Internal Audit has also delivered a high level fraud awareness session to Berneslai Homes Board Members.

Preventing Fraud

- 4.15 Effective preventative systems are put in place to try and ensure that if fraud is attempted, it will be discovered and fail.
- 4.16 Fraud prevention in the Council means ensuring that sound policy and procedural measures are in place in all Council departments. In conjunction with the Risk Management Section, Internal Audit continuously review reported system weaknesses to identify areas of high fraud risk. Follow-up audits or themed anti-fraud audits are undertaken in all departments where common weaknesses have been identified.
- 4.17 In addition to the above, departmental managers consider fraud risk within their risk registers prompted by an annual fraud risk self assessment which are reviewed in conjunction with the Risk Management Section. Further preventative measures are undertaken each year by including high scoring risks within the annual audit plan for coverage in 'themed' reviews.

4.18 Internal Audit is a member of the West and South Yorkshire Fraud Investigators Group (SWYFIG) which comprises of West and South Yorkshire Internal Audit investigators.

4.19 The group meets twice a year with the following aims:-

- To promote and share best practice with regard to fraud and corruption prevention, detection and investigation work;
- To discuss areas of interest which will to assist group members in undertaking reactive and proactive counter fraud work;
- To discuss investigation, data matching, risk assessment and other specialist techniques/methodologies/training opportunities that could be of benefit in the course of duties;
- To discuss current/future legislative issues, data matching exercises and other developments that impact on LA counter fraud strategy and operational work;
- To share and benchmark anonymised information on cases and other work to identify best practice within the group that can be used pro-actively at other local authorities to prevent, detect, identify and/or recover losses due to fraud and corruption;
- To share with other group members intelligence regarding local/regional/national issues and training which could impact on other members; and
- To create contact points in each local authority, for future liaison, advice

National Fraud Initiative

4.20 Internal Audit co-ordinates the Council's involvement in the National Fraud Initiative (NFI), which is the Audit Commission's biennial data matching exercise designed to detect fraud and error across the public sector.

4.21 The Authority's data match Investigations has identified the following overpayments as at 27th May 2014 from the 2012-2013 datamatches:

- Housing Benefit/Council tax Benefit - £3,454;
- Payroll overpayment - £808.

4.22 Due to the success of the 2010/11 data matching exercise, the Benefits and Taxation Department are undertaking additional flexible matching of council tax single person discounts to the electoral roll. This exercise has currently identified £22,447 incorrectly awarded single person discounts. Investigations into further datamatches are ongoing.

Pro-active Audits

Blue Badge Anti-Fraud Review

4.23 A joint pro-active exercise with South Yorkshire Police was undertaken over two consecutive days in September 2013 to assess whether blue badges had been used in accordance with the Blue Badge Scheme, to ascertain the extent of any misuse and to seize blue badges which were observed being misused.

4.24 A total of 244 blue badges displayed in vehicles were queried over the two day exercise with the following results:

- 206 blue badges were being used in accordance with the scheme. This figure includes 49 badges which were physically checked by uniformed officers to verify that they were being used by the registered blue badge holder;
- A physical check of 1 blue badge established that it was being used by a relative of the registered blue badge holder. However, the registered person was at home and therefore not benefitting from the journey. The blue badge was seized and a PCN issued;
- 1 blue badge displayed in a parked vehicle had been cancelled due to the death of the badge holder. A PCN was issued and it was agreed that the Police Officer would remain on the street for a period of time in the event that the driver returned. After a short period of time the driver of the vehicle returned to the car, explained that the blue badge had been displayed in error and produced a valid blue badge. The cancelled badge was seized and the driver advised that a ticket had been issued for 'failure to display a valid badge';
- A further 6 PCNs in respect of blue badge misuse were issued over the 2 day exercise including 1 which related to a blue badge being used by a relative despite the blue badge holder actually being at a residential care home. A telephone call to the care home established that the holder was not travelling with the driver of the vehicle displaying the badge and rarely left the care home.

4.25 The Director of Adults and Communities has subsequently drafted an 'Enforcement of the Blue Badge Scheme of Parking Concessions Policy and Procedure'. The Policy will allow the Council's Community safety and Enforcement Service to enforce the scheme and prosecute individuals who misuse / abuse blue badges.

5. Reactive Fraud Work

Detecting and investigating Fraud

- 5.1 Despite strong preventative measures, there are inevitably a minority of dishonest people who will be intent on attempting fraud and corruption and finding new ways to evade preventative systems or indeed taking an opportunistic risk. When this happens it is essential that we are able to promptly detect instances of fraud and corruption that have occurred.
- 5.2 During 2013/14 Internal Audit received formal notification of 16 reported cases of fraud, theft or irregularity. Of these referrals 8 remained in progress at the year end. Details of these cases are shown under the Performance Summary. A further 8 whistleblowing referrals were handled under the Council's whistleblowing procedures.
- 5.3 The Council remains focussed in its commitment to take all necessary action to investigate fraud and take appropriate disciplinary or legal action.

- 5.4 The Internal Audit officer dedicated to preventative and investigative work during 2013/14 is professionally qualified in this area.

Applying Sanctions

- 5.5 Following the investigation of an alleged fraud by Internal Audit a report is issued to management recommending, where appropriate, action to rectify any control weaknesses. Where fraud is proven recommendations will extend to disciplinary action.
- 5.6 At the outset, each investigation is approached giving due consideration to an appropriate combination of criminal, civil, internal disciplinary and professional processes. Thus, assurance is given that those individuals who abuse the Council are dealt with appropriately, either financially or through other sanctions.
- 5.7 After any investigation, sanctions will be applied where fraud and corruption are proven to be present. This is done in a comprehensive, consistent and proportionate manner with all possible sanctions considered between disciplinary, civil or criminal action. However, the nature of internal investigations makes it difficult to quantify the results in monetary terms.
- 5.8 The diversity of the type of minor crime committed, e.g. abuse of the Council's I.T. Policy and Flexitime Policy, means that it is not possible to introduce parallel sanctions.

Seeking Redress

- 5.9 Due to the fact that the majority of cases are of a minor nature consideration is often given by management as to whether it is cost effective to seek financial redress in cases of losses to fraud or corruption.
- 5.10 Local action could be taken to recover money by using civil law. However, it is often more effective to simply dismiss fraudulent perpetrators, thus preventing further losses. In cases of serious fraud, the Council have the opportunity to apply to the courts to make a restraining order or confiscation order.

Investigations

- 5.11 It is important to acknowledge that investigations are conducted independently and without prejudice. This is reflected in the number of cases where investigations have resulted in the exoneration of individuals against whom allegations have been made. There are other cases where the investigation has resulted in disciplinary action or criminal action based on the evidence obtained, however in some cases and despite strong suspicion, a lack of evidence has meant we were unable to prove wrongdoing.
- 5.12 The nature, scale and complexity of the referrals have been varied and included suspicions of financial irregularity, financial abuse, mismanagement, staff behaviour and conduct issues, and corruption. Some of these take a long time to investigate and often require various reports to be produced to management, Members, whistleblowers and the police. They

also involve time spent in dealing with any subsequent disciplinary process or working with the police to pursue criminal action.

- 5.13 Internal Audit have conducted their own investigations or supported management with their investigation work in response to all these referrals.
- 5.14 The matters raised and investigated can be analysed as follows, together with a comparison to previous years:-

Result of cases	Number 2013/14	Number 2012/13	Number 2011/12	Number 2010/11	Number 2009/10
Employee dismissed.	0	1	1	2	3
Employee resigned prior to disciplinary action being taken.	1	2	1	1	4
Police referrals.	1*	4	0	2	1
Criminal conviction	0	2	0	0	0
Informal warning given to employee	1	3	0	0	0
Warning issued to employee as a result of disciplinary action.	1	3	3	0	4
No evidence found to support allegations.	3	4	4	12	7
No evidence found to support allegations, but recommendations made to improve system controls.	0	4	3	4	2
Unable to evidence any irregularity. Incident raised with Information Governance as a security incident	0	1	0	0	0
Not progressed due to employee being made redundant prior to completion of the investigation	1	1	0	0	0
Payment successfully recovered.	0	0	1	0	1
Advice / RIPA authorisations for management action.	0	0	0	8	6
Reduced insurance payout agreement reached as a result of a RIPA surveillance exercise	0	0	1	0	0
Employment Tribunal decision upheld	0	0	0	1	0
Employee reinstated following an appeal	1				
Fraudulent attempt to alter bank account details	0	0	1	0	0
Ongoing investigations as at 31 st March.	7*	4	13	10	15
Transfer of work from special investigations to corporate audits	0	0	2	0	1
Total	16	29	30	40	43

* A total of 8 investigations have been carried forward to 2014/15 – 7 are current investigations and an irregularity relating to a former employee is still being investigated by South Yorkshire Police.

- 5.15 8 of the 16 referrals referred to above were completed during the year. The remaining 8 cases are currently under investigation. Examples of cases investigated included the following:

Theft of Cash and Assets

- 5.16 Cases involving employees in the theft of cash, assets or other irregularity have been investigated by management with advice and support provided by Internal Audit.

Procurement and Payments

- 5.17 An irregularity in respect of an employee dismissed for a breach of Contract Procedure Rules was referred to SYP and remains categorised 'ongoing' until the outcome of the police investigation is known.

Financial Irregularities

- 5.18 Internal Audit received a number of allegations of minor frauds including: the excessive use of the internet / misuse of emails by employees, working whilst off sick, falsification of timesheets and the abuse of the Authority's Flexi Hours Scheme. These allegations were referred to management for investigation with advice and support provided by Internal Audit. Three officers resigned during the course of the investigation and appropriate disciplinary action was taken against a number of other employees. Several referrals found no evidence to substantiate the allegations made.

6. Benefit Fraud

- 6.1 Due to departmental restructures in 2013 The Benefit Fraud Team lost a full time Investigator which did affect the sanctions achieved, however the team still managed to maintain the same number of successful prosecutions compared to 2012/13.

- 6.2 Below are a number of performance statistics demonstrating the activity undertaken during 2013/14:-

- The 2013/14 target was to identify 150 cases of incorrect Housing/Council Tax benefit - achieved 143 cases;
- Out of the 143 cases identified, 76 sanctions were achieved;
- 28 Of these 76 sanctions resulted in successful prosecutions;
- A total of 866 referrals were received in 2013/14 and 1,162 pro-active checks were undertaken with 438 pro-active un-notified visits being undertaken;
- £537,476 incorrect / overpaid benefit/ fines etc. were identified of which:
 - £184,513 related to Housing/Council Tax benefit sanction cases;
 - £163,613 related to Housing/Council Tax benefit overpayment only (no sanction);

- £186,789 in Income Support (national benefit);
- £1,678 Housing/Council Tax benefit (cases withdrawn);
- Housing/Council Tax benefit fraud resulting in £10,468 raised in Administrative Penalties (e.g. fines);
- Single person discount savings of £883.

6.3 A sample of the 28 prosecutions achieved in 2013/14 is shown below summarising the case and the amount in question:

- A woman falsified her wages to support her claim to Housing and Council Tax benefit; this resulted in £20,755 in falsely claimed benefits. Magistrates considered it so serious that only a custodial sentence could be passed. It was a deliberate fraud over a significant period resulting in a very large overpayment of benefit. Sentenced to 32 weeks imprisonment suspended for 2 years and was ordered to carry out 150 hours unpaid work in community and required to attend a specified activity being ten sessions on "working with women offenders" programme.
- Man failed to declare that he had been receiving Industrial Injuries benefit for over 3 years. He obtained £6,646 to which he was not entitled. The court sentenced him to a 12 month Community Order with requirement to carry out 120 hours unpaid work. Ordered to pay £246 Prosecution Costs and £60 Victims Surcharge.
- Couple failed to declare numerous changes in circumstances including capital in excess of £16,000, undeclared occupational pension and undeclared earnings, whilst claiming Housing & Council Tax Benefit and DWP benefits. They falsely claimed £9,237 in Housing Benefit £2,700 in Council Tax Benefit and £33,375 in DWP benefits. They were both sentenced to six month imprisonment.
- Woman failed to declare that she had reconciled with her husband who was working full time. She falsely obtained £14,425 Housing Benefit, £3,330 Council Tax Benefits and £15,767 DWP benefits. She was found guilty and received an 8 week curfew order.

6.4 All the above cases have been publicised.

6.5 There are currently 2 files with the Authority's Solicitors awaiting Court action, 10 joint cases with the DWP Solicitors and a further 3 cases pending prosecution file preparation and are due in Court in the near future.

6.6 In addition to identifying overpayments of benefit emanating from fraudulent activity, the Fraud Team undertakes a variety of pro-active measures. A selection of such activities are shown below:

- Operation Blitz – a multi-agency drive targeting problem areas in the borough.
- Checking of BMBC Planning Applications for benefit related lifestyle issues.

- Continued checking of Wedding Banns for undeclared partners.
- 6.7 A number of other pro-active operations planned for 2014/15 including a pro-active employer drive with Kostal UK (this is an ongoing exercise). There will also be further multi agency working on Operation Blitz.
- 6.8 The target for 2014/15 is to identify 150 cases of incorrectly/overpaid benefit.

7. Key Priorities 2014/15

- 7.1 The need to respond quickly and comprehensively to allegations of fraud and corruption impacts on the ability to deliver proactive anti-fraud work. Internal Audit will continue to advise managers to investigate lower risk referrals.
- 7.2 Internal Audit has allocated 153 chargeable days for reactive and proactive fraud work in 2014/15.
- 7.3 The key priorities over the next few months are shown below. These will be reported back to the Committee within the next update in approximately 6 months.

Ref	Action	Timescale
1	Revise Fraud Response Plan	A draft of the revised procedures is currently being reviewed
2	Review of 2012/13 NFI findings and preparation for 2014/15 exercise	July 2014
3	Review of Corporate Prosecutions Policy	September 2014
4	Review of Corporate Anti-Fraud and Corruption Policy and Strategy	September 2014

8. Local Area Implications

- 8.1 There are no Local Area Implications arising from this report.

9. Consultations

- 9.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive and/or Assistant Director to apprise him/her of key issues raised and remedial actions agreed. Internal Audit has consulted with the Head of Benefits in order to obtain details relevant to Section 6 of the report, Benefit Fraud.

10. Compatibility with European Convention on Human Rights

- 10.1 In the conduct of investigations, Internal Audit operates under the provisions of the Data Protection Act 1998, the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

11. Reduction of Crime and Disorder

- 11.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

12. Risk Management Considerations

- 12.1 Fraud risk is now established within both operational and strategic risk registers. An annual fraud risk self-assessment is undertaken by each Assistant Director to contribute to their risk registers but also to help to determine the key areas where planned Internal Audit activity would be best directed.
- 12.2 Whilst there are no specific risks emanating as a result of this report there are a range of risk issues worthy of consideration and note.
- 12.3 During the year, the Division reviewed and revised its operational risk register to ensure all risks to the delivery of the function's objectives were identified and could therefore be managed. This risk register is the subject of regular review in accordance with the corporate process.
- 12.4 There is a risk to the Authority as a whole should the internal audit function not be effective. This would undermine the internal control and governance arrangements of the Authority and fail to provide the Audit Committee with the independent information upon which to base their assurance views upon. The provision of detailed quarterly reports during the year, plus this annual report and the report on the effectiveness of the audit function should act as mitigation in ensuring the Audit Committee is in a position to constantly keep the audit function under review.
- 12.5 There is a risk to the control and governance of the Authority if management fail to implement recommendations. In mitigation Internal Audit has introduced a more rigorous 'follow-up' process to ensure the most significant issues are implemented. This is reported to the Audit Committee within the quarterly and annual reports.

13. Employee Implications

- 13.1 All employees are under an obligation through their contracts of employment to be honest and adhere to the Code of Conduct.
- 13.2 There will be further guidance and opportunities for all employees to ensure their personal awareness of anti-fraud and corruption measures continues to be high. Management are charged to ensure that awareness is high and maintained.

14. Financial Implications

- 14.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function and the external audit fees are included within the Authority's base budget.
- 14.2 There are financial consequences in both losses from fraud and also the cost of controls to minimise fraud. Internal Audit carefully assess both aspects of the financial consequences of fraudulent activity when making recommendations and advising management.

15. Background Papers

- 15.1 Various previous Audit Committee reports
Corporate Anti-Fraud and Corruption Policy and Strategy
Corporate Whistleblowing Policy

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