

AUDIT COMMITTEE – 10TH DECEMBER 2014

FRAUD MANAGEMENT - UPDATE

1. Purpose of the Report

- 1.1 This report provides the Audit Committee with further details of progress and information in the development of arrangements to effectively assess and manage the risk of fraud and corruption.

2. Recommendations

2.1 It is recommended that:-

- i. **The Audit Committee notes the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption.**
- ii. **The Audit Committee continues to receive 6 monthly progress reports on the implementation of the identified key actions.**

3. Background Information

- 3.1 The Audit Committee received details of progress in the Annual Fraud Report presented at the June meeting. This report highlights the further work undertaken and progress in respect of fraud management over the last few months.
- 3.2 As referred to in previous reports the framework set out in the CIPFA publication “Managing the risk of fraud” document now serves as the key vehicle through which anti-fraud and corruption activity is identified and managed.

4. Self Assessment and Actions

- 4.1 The Annual Fraud Report 2013/14 included an action plan. An update to this action plan is attached as Appendix 1 along with an updated list of completed actions, Appendix 2.
- 4.2 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
6	Develop series of proactive pieces of fraud detection work within 2015/16 Audit Plan	February 2015
7	Review and revision of the Corporate Anti-Fraud and Corruption Policy and Strategy	September 2015

- 4.3 As well as work on anti-fraud and corruption, there are inevitably a number of investigations that require Internal Audit input. This activity is included in more detail in the Internal Audit Quarterly report received by the Audit Committee.
- 4.4 Internal Audit submitted a bid for government funding to assist with the creation of a central Corporate Fraud Team within Internal Audit. The bid was successful and the Authority is one of only 59 local authorities to receive funding.
- 4.5 The new Team comprising a Senior Corporate Fraud Investigator and a Corporate Fraud Investigator will be under the day-to-day supervision of the Principal Auditor (Fraud and Investigations) and managed by the Head of Internal Audit. The Team's initial focus will be on council tax fraud where resources have been limited in the past. The Team will aim to begin operations in the new year and fully operational from 1st April 2015. A report detailing the new Corporate Fraud Team's roles and responsibilities will be submitted to the Audit Committee in March 2015.
- 4.5 Internal Audit resources have been focussed on supporting a couple of investigations that are now coming to an end. However, the function continues to offer advice, guidance and instruction to departmental managers on matters of fraud and fraud prevention in addition to supporting them in managing their own investigations.

5. Financial Implications

- 5.1 Whilst there are no direct financial implications arising from this report there are inherent financial issues concerning anti-fraud and corruption. An increase in controls may have cost implications, both in terms of additional checks, potentially slowing down service delivery, and computer system changes. Those costs have to be balanced against the risk of loss, whether because of fraud or general inefficiency. Any cost implications arising from the need to introduce additional controls and mitigations will be discussed with management. The emphasis at all times will be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

6. Risk Considerations

- 6.1 Somewhat obviously, the process prompted by this work is focussed entirely on the effective assessment of fraud risk.
- 6.2 There are inherent risks in not undertaking such a self-assessment and responding to areas that are capable of improvement. Balancing risks, costs and potential losses is at the heart of this process.
- 6.3 The loss of assets and resources as a result of fraud is included within the Strategic Risk Register.

7. Appendices

- 7.1 Appendix 1 - Updated Action Plan as at 28th November 2014
Appendix 2 - Completed Actions

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Action Plan – June 2014 (Updated November 2014)

Note - the lead officer for these actions is the Head of Internal Audit & Risk Management

Ref.	Action	Timescales	Status
1.	Completion of revision of Fraud Response Plan	January 2014	Draft completed and under review.
2.	Review of 2012/13 NFI findings and preparation for 2014/15 exercise	July 2014	Complete. 2014/15 datasets uploaded successfully, October 2014.
3.	Review of Corporate Anti-Fraud and Corruption Policy and Strategy	September 2015	A comprehensive review of the policy and strategy will be undertaken following the formation of the Corporate Fraud Team on 2st April 2015.
4.	Review of Corporate Prosecutions Policy	September 2015	A review of the Policy will be undertaken as above.

Fraud Management Completed Actions - Cumulative

Appendix 2

Action	Date Completed
Revised Information Security and Computer Policy and Protocols	December 2008
Revised Anti-fraud documents; Policy, Strategy and Fraud Response Plan included on IA intranet site	March 2009
Whistleblowing Policy – revised and approved by Council	March 2009
Core briefs issued :- Reminder regarding duty to register interests and gifts and hospitality Launch of fraud bulletin and leaflet Second fraud bulletin	January 2009 April 2009 August 2009
Global e-mails regarding fraud risks	Various dates
Purchase of e-learning package for Authority-wide awareness training	April 2009
First fraud Bulletin produced and published on intranet	April 2009
Fraud awareness leaflet produced and published on intranet	April 2009
Delivery of anti-fraud and corruption training to Berneslai Homes' senior managers, Board and SMT Two more sessions delivered	April /May 2009 September 2009
Revised whistleblowing poster for all staff notice boards	July 2009
Revised whistleblowing poster for all staff notice boards in schools	September 2009
Revised whistleblowing leaflet re-launched and put on intranet	July 2009
Second Fraud bulletin	August 2009
Assistant Directors to complete fraud self-assessment checklist, previously completed in 2008	October 2009
Analyse fraud risk self-assessment from ADs	November 2009
Configuration and roll-out of e-learning system	October 2009
Complete self-assessment against revised IPF guidance	November 2009
Analyse results of Use of Resources assessment to integrate actions onto overall action plan	November 2009
Revise Corporate Anti-Fraud and Corruption Policy and Strategy for Cabinet, Audit Committee and Council approval	December 2009
Prepare consolidated action plan to support new Strategy	December 2009
Publish third Fraud bulletin	January 2010
Develop series of proactive pieces of fraud detection work within 2010/11 Audit Plan	February 2010
Review Prosecutions Policy	March 2010

Fraud Management Completed Actions - Cumulative

Appendix 2

Action	Date Completed
Monitor and report take-up and response to e-learning package for fraud awareness	January 2010
Purchase of e-learning fraud awareness package for school based employees	April 2010
Publish fourth Fraud bulletin	August 2010
Delivery of two anti-fraud and corruption training to Berneslai Homes' Construction Services Operations Managers and Housing Management team leaders	September 2010
Configuration and roll-out of e-learning system to school based employees	October 2010
Assistant Directors to complete fraud self-assessment checklist, previously completed in 2009	November 2010
Analyse fraud risk self-assessment from ADs	January 2011
Fifth fraud bulletin produced and published on intranet	January 2011
Fraud awareness guide for managers produced and published on intranet	January 2011
Develop series of proactive pieces of fraud detection work within 2011/12 Audit Plan	February 2011
Purchase of e-learning package to continue corporate fraud awareness training	April 2011
Revised the following policies in response to the introduction of the Bribery Act 2010: Anti-fraud and Corruption Policy; Anti-Fraud and Corruption Strategy; Prosecutions Policy; Whistleblowing Policy	June 2011
Development of Fraud Awareness Handbook for employees without email/internet access	August 2011
Publish sixth fraud bulletin	September 2011
Roll-out of Fraud Awareness Handbook to employees	September 2011
Delivery of four anti-fraud and corruption training sessions to Berneslai Homes' employees based at Gateway Plaza and Carlton Depot	September 2011
Assistant Directors to complete annual fraud self-assessment checklist	November 2011
Analyse fraud risk self-assessment from ADs	January 2012
Publish seventh fraud bulletin	October 2012
Revise Audit Procedures Manual for dealing with fraud and theft	November 2012
Assistant Directors to complete annual fraud self-assessment checklist	December 2012
Publish eighth fraud bulletin	June 2013
Completion of Learning Pool e-learning material	April 2014