

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 March 2014
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Anti-Fraud and Corruption Update

Summary

To update members of the Committee with actions underway and planned which support the Council's Anti-Fraud and Corruption Strategy.

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

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Background Papers:

Trafford Council Anti-Fraud and Corruption Strategy

Audit and Assurance Service – Anti-Fraud and Corruption work update 2014

1. Introduction

- 1.1 As part of the internal audit plan, the Audit and Assurance Service conducts work relating to anti-fraud and corruption. As well as undertaking investigative activities, work also involves reviewing measures in place to reduce the risk of fraud and raising awareness across the Council.
- 1.2 This report summarises work undertaken in 2013/14 and planned actions to support the Anti-Fraud and Corruption Strategy.
- 1.3 The report does not include a detailed update of work undertaken relating to Benefit Fraud. The Accounts and Audit Committee received an update on this in September 2013 and will receive a further update later in 2014.
- 1.4 The formation of a Single Fraud Investigation Service (SFIS), covering all welfare benefit fraud, was announced in the Autumn Statement by the Chancellor of the Exchequer on 5 December 2013. As previously reported to the Accounts and Audit Committee, the SFIS will bring together welfare benefit fraud investigations currently undertaken by DWP, local authorities and HMRC. It is expected that these changes will take place on a phased basis with completion by March 2016. Future updates in respect of benefit fraud to the Accounts and Audit Committee in 2014 will include developments on this when details of the rollout of this in Trafford are confirmed.

2. Guidance / Awareness Raising

- 2.1 The Audit and Assurance Service in conjunction with the Human Resources Workforce Strategy team launched an e-learning tool: "Fraud Awareness for Local Government". This course was provided by the National Fraud Authority in conjunction with Deloitte.
- 2.2 The course was made available from May 2013. Initially this was targeted at managers across the Council. Updates on the progress of this group in completing the course have been provided to the Corporate Management Team (CMT). As at the end of February 2014, just under 62% of managers have successfully completed this training. A further 3%% have partially completed the course.
- 2.3 CMT have subsequently agreed that the e-learning course should be mandatory for all employees with a Trafford Council network account.

Access to the e-learning site was rolled out to these other relevant employees later in the year.

2.4 A progress report produced in February 2014 identified that a total of 837 employees (approximately 36% of all employees with access to the training, including managers) have successfully completed the e-learning module since its release. A further 61 have partially completed the course.

2.5 Other anti fraud and corruption initiatives undertaken in the year include:

- The issuing of general guidance on the Council's policies on registering offers of gifts and hospitality.
- Two Governor training sessions have been provided in conjunction with Trafford's Governor Services section entitled "An introduction to Internal Audit". The second half of these sessions were particularly focussed on Anti Fraud and Corruption and feedback on the sessions from Governors attending was positive.
- New Head Teacher induction training undertaken at an event in conjunction with other services.

3. National Fraud Initiative (NFI)

3.1 The Audit and Assurance Service continue to undertake the investigation of referred cases of fraud and corruption including the examination of matches identified by the National Fraud Initiative data matching exercises (NFI).

3.2 As Members will be aware through previous reports to the Committee, the National Fraud Initiative (NFI) is a nationwide data matching exercise. It is designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. It is carried out once every two years at minimal cost to the organisations involved and is firmly established as the United Kingdom's premier public sector fraud detection exercise.

3.3 Council data was submitted to the Audit Commission in October 2012 and the subsequent matches were received in January 2013. To the beginning of March 2014 a total of 1,839 matches have been reviewed which has resulted in the identification and correction of 99 errors and the detection of 8 frauds. A further 34 cases are currently being investigated.

3.4 All of the identified frauds relate to Housing Benefit matches. Total overpayments currently being recovered as a result of the 2012/2013

NFI exercise amount to £66,995. There is also an ongoing weekly reduction in payments of £1,015, approximately £52,780 per annum.

- 3.5 The NFI exercise also includes a requirement for local authorities to submit council tax and electoral register data for a Council Tax Single Person Discount (SPD) data match. In the Audit Commission's publication "Protecting the Public Purse 2013" it is recognised that the NFI has identified over 100,000 cases of SPD fraud nationally, totalling £160m.
- 3.6 In Trafford, the previous NFI SPD match identified 124 cases where the discount had been claimed incorrectly and a total of £39,036 was recovered. This outcome was achieved by officers in the Audit and Assurance Service working with officers from the Council Tax section.
- 3.7 Trafford Council will be sending its latest council tax and electoral register data during March 2014.

4. Investigations

- 4.1 Investigations across the Council in the year relate to a number of themes including disposal of council assets (one), ICT investigations (two), and loss/theft of cash or assets (five).
- 4.2 During 2013/14 Audit and Assurance staff have contributed to work in relation to one ongoing and five new investigations.
- 4.3 In relation to four of the six investigations, Audit has recommended control improvements to reduce future risks. These relate to the following:
 - Investigation in to levels of materials usage and stock control procedures following allegations of theft.
 - Investigations into the disposal of ICT assets.
 - Two instances of loss of cash in establishments.

The two other investigations relate to alleged ICT misuse. For one of these, this resulted in the resignation of one employee. The other investigation is ongoing.

- 4.4 In addition, a further two thefts (one equipment and one cash) are currently the subject of separate police investigations. One of these is the subject of a formal internal disciplinary investigation against an employee, however no-one has yet been charged with a criminal offence. The other case involving the theft of cash has been referred to Crown Court.

4.5 Further updates on the above will be given as part of the 2013/14 Annual Internal Audit Report.

5. Future Work

5.1 Future work in respect of anti fraud and corruption initiatives will include:

- Further activity in relation to awareness raising for staff, including analysis of completion of the e-learning module and, where applicable, reminders to managers and other staff to complete this.
- In addition to the Council Tax and Electoral register upload in respect of SPD claimants mentioned previously, preparatory work for the next full NFI data matching exercise to take place around October 2014 will commence around June this year.
- Liaison with Legal Services and Human Resources as appropriate in reviewing Council's policies and procedures in relation to anti fraud and corruption.
- Continued support in investigations across the Council as and when required/appropriate.
- Inclusion of a number of audit reviews in the Audit Plan following up on control issues / risks previously identified in relation to investigations undertaken.

5.2 A dedicated block of time will be set aside in the Annual Audit plan in order to undertake this work.