

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 20 March 2013  
**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:

Name: Mark Foster – Audit and Assurance Manager  
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Name: John Miller – Principal Audit and Assurance Team Leader  
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### **Background Papers:**

Trafford Council Anti-Fraud and Corruption Strategy

## **Audit and Assurance Service – Anti-Fraud and Corruption work update (March 2013)**

### **1. Introduction**

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.

This report summarises work undertaken in 2012/13 and planned actions to support the Anti-Fraud and Corruption Strategy. An update was provided to the Accounts and Audit Committee in November 2012 on certain elements of the work which, where applicable, is referred to in this report. (The report does not include work relating to Benefit Fraud which will be covered in a separate annual report later in 2013).

### **2. Anti- Fraud and Corruption Strategy**

The Anti Fraud and Corruption Strategy document sets out the Council's firm stance against fraud and corruption. It details the responsibilities of members and officers, describes how concerns should be raised and identifies the importance of raising awareness across the Council.

A revised strategy document was presented to the Accounts and Audit Committee in November 2012, together with an update on planned work in developing guidance and raising awareness of anti-fraud measures. Related work completed and further work planned since the November 2012 update report are given in section 3.

### **3. Guidance / Awareness Raising**

The updated Anti Fraud and Corruption Strategy and Policy and supporting fraud response guidance are on the Council's intranet site. As planned, a range of guidance and awareness raising activity will support the issue of the updated Strategy.

Detailed below are actions undertaken since November 2012 to date:

- As planned, in December 2012, Audit and Assurance and Legal Services worked together to publicise the Council's policies on registering gifts and hospitality.
- In addition, the Audit and Assurance Service produced additional guidance for schools relating to the provision of gifts and hospitality. This was publicised through the schools e-bulletin in December

2012. Anti-fraud guidance was also circulated to all schools, originally produced by the Audit Commission as part of their “Protecting the Public Purse” report.

- Further work in relation to schools has included the update of guidance to undertake control risk self assessments which include assessment of controls to reduce fraud risks. This has been included on the schools’ “Trafford Learning” website as part of guidance supporting the Schools Financial Value Standard.

In terms of work in progress and further work planned through 2013/14:

- As part of the updated Anti Fraud and Corruption Strategy, guidance in responding to and reporting suspected fraud has been updated. In early 2013/14, this guidance is to be publicised through a number of means to managers and all staff. Specific fraud response guidance for schools is also to be publicised in early 2013/14.
- The Audit and Assurance Service is currently liaising with Human Resources in respect of an updated e-learning tool to support awareness raising titled “Fraud Awareness for Local Government”. In addition, updated guidance is to be reflected in staff induction processes.
- The National Fraud Authority (NFA) has developed a suite of materials for local authorities to use as part of a national campaign to increase fraud awareness among all staff: “Fraud: Spot it, Stop it”. It is planned that guidance available will be used to support ongoing awareness raising through the year.

Details of available guidance will be shared with Accounts and Audit Committee members as part of future training / guidance for the Committee.

#### **4. National Fraud Initiative (NFI)**

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.

The NFI 2012/2013 commenced in October 2012, with the submission of the following Council data to the NFI team for matching with other participating bodies: -

- Payroll
- Creditors
- Residents in private care homes
- Insurance claimants
- Street trader licences
- Taxi driver licences
- Resident parking permits
- Personal licences to supply alcohol
- Blue badge holders

The resultant matches were released in January 2013 and these are currently being prioritised for investigation. Information on the progress of all aspects of the National Fraud Initiative 2012/2013 will be made to the Committee during 2013/14.

In May 2012 the Audit Commission published a briefing aimed at Council Members: - National Fraud Initiative – Council Members briefing, May 2012. <http://archive.audit-commission.gov.uk/auditcommission/sitecollectiondocuments/Downloads/nfi2012membersbriefing.pdf>

The briefing includes a checklist of key questions around five key areas: -

1. The NFI in our council
2. Maximising results
3. Broadening our council's engagement with the NFI
4. Data Security
5. The NFI fit with wider counter-fraud policies

The Audit and Assurance Service is reviewing current arrangements against this checklist. Details of the assessment made will be circulated to all Accounts and Audit Committee members.

## **5. Investigations**

During 2012/13 Audit and Assurance staff have contributed to work in relation to 11 new investigations, four of which are still ongoing.

For the completed cases, none of these resulted in formal disciplinary action against employees but in some instances, findings identified scope for improved controls within systems. Audit and Assurance have made recommendations to the relevant service areas as appropriate. Improvements relate to a number of themes including cash handling (in two investigations), record keeping (one), procurement processes (one) and awareness of the Council's ICT Acceptable Use Policy (two).

Of the four ongoing cases, these include alleged fraudulent timekeeping (two), possible misuse of the Council's ICT facilities (one) and possible breaches of the Contract Procedure Rules (one).

The start of 2012/13 saw the end of two complex, long running cases. As detailed in the Annual Internal Audit Report issued in June 2012, in the first case an employee who resigned in 2010 appeared at Crown Court in May 2012 and pleaded guilty to a theft of just over £10k. She was given a suspended prison sentence, community service and ordered to repay £1k. The fraud related to activity surrounding the administration of monies for individuals where the Council held Court appointed responsibility in respect of their financial affairs. Audit and Assurance liaised with the relevant service area and provided guidance and in the current year is undertaking an audit review of this area to follow up further.

The second case involved allegations of financial irregularity at a school and involved the review of a significant number of financial records. Whilst no evidence of fraud was identified, Audit and Assurance have made recommendations to improve the financial systems used for the administration of the school's unofficial funds and further internal audit review work is being undertaken.

Further updates on the ongoing investigations will be given as part of the 2012/13 Annual Internal Audit Report.

## **6. Internal Audit Planning**

The Annual Internal Audit Plan includes an allocation of time dedicated to anti-fraud and corruption activity, which includes time set aside for each of the activities referred to in this report.

The total time set aside for this work during 2012/13 was 200 days (including an allocation of time within planned ICT Audit work for ICT related investigations). Total time spent at the end of January 2013 was 195 days. It is therefore expected that actual work undertaken will amount to in excess of planned time, the excess relating to time spent undertaking investigations. (Details of planned against actual time spent for the year for all main categories of audit work will be reported in the 2012/13 Annual Internal Audit Report).