

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 24 March 2015
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service - 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 (March 2015)

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 by Audit and Assurance in 2014/15 and planned actions to support the Council's Anti-Fraud and Corruption Strategy. It also provides a brief update in Section 2 below on wider counter fraud developments in the Council.

2. Counter Fraud Developments

- 2.1 In respect of benefit fraud investigation, the formation of a Single Fraud Investigation Service (SFIS), covering all welfare benefit fraud, was previously announced by the Government in 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. Staff in Trafford Council's Benefit Fraud Investigation Team are due to transfer to the SFIS in March 2016.
- 2.2 Ahead of the transfer, the Council is taking steps with the aim that a dedicated fraud investigation function continues. A new counter-fraud team is in the process of being introduced within Exchequer Services, initially using monies obtained from a successful grant application submitted to the DCLG for the purposes of counter fraud activity. The grant provides funding up to the end of 2015/16.
- 2.3 The aim of the new team will initially focus primarily on potential revenues related fraud which the Council would continue to be responsible for investigating after the SFIS transfer, particularly in relation to fraud related to Council Tax and Business Rates. The scope of the work of the team will be further reviewed / developed as part of a risk based approach. Outcomes from the work of the team will be monitored over the next 12 months to consider the future investigation capacity for 2016/17 onwards by which time staff from the existing Benefit Fraud Investigation function will have transferred to the DWP. The Accounts and Audit Committee will be provided with an update on progress of the establishment of the team, together with a report setting out outcomes from benefit fraud investigation work that has taken place in the year ending 31 March 2015, as part of the 2015/16 Committee work programme.

3. Audit and Assurance Service

Investigations

- 3.1 During 2014/15, Audit and Assurance staff have contributed to work in relation to eight new investigations.
- 3.2 Three of these investigations involved Audit providing support reviewing allegations of misconduct, two including the misuse of ICT.
 - For one of these investigations, no evidence was found of ICT misuse within the period under review.
 - In the other instance in respect of ICT, findings were shared with management to support a wider investigation. In this instance, the outcome of the subsequent disciplinary process was the dismissal of one officer.
 - For the third case, this involved supporting management in reviewing an instance of non-adherence to required record keeping and monitoring procedures which resulted in a final written warning.
 - Although no significant Audit input was required, Audit was advised of a further investigation relating to an employee failing to adhere to the Council's procedures in respect of time recording and has subsequently been dismissed.
- 3.3 Two investigations involved providing support in reviewing discrepancies in relation to cash handling. For the first, this included discussions with staff, reviewing security procedures and supporting records in relation to income collected and cash banked. Audit reported to management to confirm areas of control weakness in relation to cash security with a number of recommendations made. Procedures and responsibilities within the relevant service area have been reviewed with revised arrangements in place.
- 3.4 The second instance relates to concerns raised in relation to discrepancies between till records to actual cash collected and amounts banked. In order to support an on-going investigation, Audit reviewed relevant records and subsequently reported a list of recommended improvements in relation to cash handling. Audit also provided support to investigating officers in confirming reported discrepancies as part of the associated disciplinary investigation process. The outcome from the disciplinary process will be reflected in the 2014/15 Annual Internal Audit Report.
- 3.5 Audit provided support during 2014 to the Budget Monitoring investigation and has contributed to the monitoring of the subsequent Budget Monitoring Action Plan in 2014/15, details of which have been reported to the Accounts and Audit Committee.
- 3.6 In Audit and Assurance, other investigation related work is on-going in respect of two further areas which will be reflected where applicable in

future updates. A further update on investigation work undertaken will be included as part of the 2014/15 Annual Internal Audit Report.

Other Work Undertaken

- 3.7 As part of on-going internal audit reviews, coverage of assessment of internal controls to reduce the risks of fraud or error is included in individual reviews. Details of Internal audit reports issued during the year have been reported on a quarterly basis and the Annual Internal Audit Report is due to be issued in June 2015.
 - 3.8 The Audit and Assurance Service has co-ordinated the submission of annual data to the Audit Commission to inform the Commission's annual "Protecting the Public Purse" reports which set out details of reported fraud across local government. (Following the closure of the Audit Commission, CIPFA is expected to undertake the co-ordination of this national exercise in the future).
 - 3.9 Details of identified fraud were reported to the Commission for 2013/14, with that data used to inform the national report published in October 2014. Nationally, fraud amounting to £188m was reported by local authorities in 2013/14 with around 80% of this relating to Housing Benefits, Council tax benefits and discounts. Total fraud losses reported by Trafford Council, which related to Housing Benefit, Council Tax benefit and other internal fraud amounted to £564,333 compared to an average for Metropolitan Councils of £869.753.
 - 3.10 The "Protecting the Public Purse" report highlighted the need for Councils to consider fraud investigation capability following the introduction of SFIS which, as stated earlier, Trafford Council is in the process of addressing. Audit and Assurance will liaise with the new Counter Fraud team in 2015/16 to consider existing anti-fraud policies, particularly with reference to the new Code of Practice recently issued by CIPFA "Managing the Risks of Fraud and Corruption".
 - 3.11 In terms of work in relation to existing Council policies, in December 2014, the Audit and Assurance Service published a reminder on the intranet of guidance on the Council's policies on registering offers of gifts and hospitality.
 - 3.12 The Service has drafted updates to the Council's Whistleblowing Policy and is liaising with Legal Services to agree any proposed amendments. An updated version will be issued in due course.
- 4. National Fraud Initiative (NFI)**
- 4.1 The Audit and Assurance Service continues to co-ordinate the Council's participation in the National Fraud Initiative.

- 4.2 As Members will be aware through previous reports to the Committee, the 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.
- 4.3 In respect of the previous 2012/13 NFI exercise, the Audit and Assurance Service co-ordinated the submission of Council data to the Audit Commission in October 2012 and the subsequent matches were received in January 2013. To the end of February 2015 a total of 1,863 matches have been reviewed which has resulted in the identification and correction of 103 errors and the detection of 15 frauds (all relating to benefit fraud which include 5 prosecutions to date - as indicated in 2.3 detailed reporting of the outcomes from benefit fraud investigation will be reported to the Committee later in 2015).
- 4.4 Total overpayments being recovered as a result of the 2012/2013 NFI exercise amounted to £208,204. There is also an on-going weekly reduction in payments of £1,219, approximately £63,388 per annum.
- 4.5 Data for the 2014/15 NFI exercise was submitted to the Audit Commission during October and November 2014. The Commission released all the dataset matches by the end of January 2015. (From April 2015, following the closure of the Audit Commission, the Cabinet Office assumes responsibility for managing the NFI process). Audit and Assurance is liaising with relevant services to ensure high priority matches are followed up through the year. Details of progress will be reported in future updates to the Accounts and Audit Committee.

5. Future Work

- 5.1 A dedicated block of time will be set aside in the 2015/16 Internal Audit plan to include:
- Continued support in investigations across the Council as and when required/appropriate.
 - Review of latest NFI data matches in liaison with other services.
 - Inclusion of a number of audit reviews in the Audit Plan following up on control issues / risks previously identified in relation to investigations undertaken.
 - On-going liaison with the Counter Fraud team and other services in reviewing existing anti-fraud policies and procedures.