



## AUDIT COMMITTEE - 11TH JUNE 2014

**SUBJECT:        FRAMEWORK FOR THE IDENTIFICATION AND PREVENTION OF FRAUD**

**REPORT BY:     ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER**

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### 1.        **PURPOSE OF REPORT**

- 1.1        To inform Members of the proactive measures in place to counter the risks of fraud including the identification and investigation of potential issues.

### 2.        **SUMMARY**

- 2.1        The report sets out the framework that is in place to both prevent and identify instances of fraud and to provide some level of assurance that fraudulent activity is at a low level. The ongoing vigilance of staff and the monitoring and controls in place are constantly evolving and developing to address the ever changing threat.

### 3.        **LINKS TO STRATEGY**

- 3.1        This report deals with Corporate Governance, which is fundamental to the efficient and effective running of Council business.

### 4.        **THE REPORT**

- 4.1        The term fraud encompasses acts that are characterised by deceit, concealment or violation of trust and includes the intentional distortion of financial or other records in order to conceal the misappropriation of assets or otherwise for gain.
- 4.2        The Authority has in place an Anti fraud, Bribery and Corruption Policy as well as an Anti Money Laundering Policy which set out the Authority's position in respect of the way these issues are approached and dealt with. Additionally there is a provision within the Authority's Financial Regulations to enable the central monitoring of suspected incidents and to ensure that all reported incidents are appropriately investigated and concluded.
- 4.3        The above policies are complimented by other policies and procedures such as the Code of Conduct, the Whistleblowing Policy and the Complaints Procedure that all form part of the control framework to aid transparency and minimise the risk of misappropriation etc.
- 4.4        As part of the improving governance agenda the Authority has recently undertaken a refresher training programme for senior managers on the Code of Conduct which included a re-issuing of the Code and other key governance documents to all staff. A new Declarations of Interest process has also been introduced with the analysed data now being regularly reported to the Audit Committee.

- 4.5 Biennially the Authority participates in the National Fraud Initiative which is facilitated by the National Audit Office. This process, which involves the use of information technology to match data held and managed by various public sector organisations, cross matches data held to identify anomalies for investigation.
- 4.6 This Authority fully investigates all matches and the results of these periodic exercises are reported to the Audit Committee for information. Internal Audit Services facilitate this process on behalf of the Authority with individual relevant service areas undertaking the actual investigative work except for matches in respect of creditor payments which are investigated by Internal Audit staff. Due to our proactive and comprehensive approach we are regularly held up as best practice and recently were invited to provide a user perspective on the NFI process to senior finance managers at WG.
- 4.7 For the years in-between the NFI exercise Internal Audit undertakes its own creditor matching exercise using a proprietary IT package to identify payment anomalies on an ongoing basis as a contribution to the overall assurance given in respect of the creditors system.
- 4.8 Benefit fraud is dealt with by a dedicated team of officers specialising in the identification and investigation of this type of fraud. There is potential for these investigations to recover quite large sums of money with a recent successful case relating to an overpayment of approximately £30,000 which also resulted in two successful prosecutions. However, in the near future the fraud team will be incorporated into the Department of Works and Pensions and benefit fraud investigations will no longer come under the remit of the Council.
- 4.9 The Insurance Section within Corporate Finance continue, on a case by case basis, to monitor claims being made against the Council and working with the Council's insurers ensure that any potential fraudulent claims are robustly and thoroughly dealt with/investigated.
- 4.10 The complaints received via the corporate procedures and those of an anonymous nature are reviewed with a view to establishing if there is a fraud element involved. Appropriate referrals being made in such cases to ensure that appropriate investigations take place.
- 4.11 In addition to all of the above, whilst undertaking audit assignments Internal Auditors are always alert to the possibility or potential of fraud and in many cases tests are undertaken specifically to identify issues that end up needing further investigation. Audits also target systems and processes that are considered high risk in relation to cash, assets etc.

Both Internal Audit Services and the Creditors Section have well developed intelligence networks that are used to alert Councils, both within Wales and further afield, to upcoming fraud areas or advance warnings of concerted efforts to target specific types of service areas. This has proved highly effective in respect of the identification of for example "bank mandate fraud" thus giving organisations time to improve controls and procedures to reduce the risks as they emerge.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications..

## **6. EQUALITIES IMPLICATIONS**

- 6.1 There are no direct equalities implications stemming from this report on any group identified in Section 6 of the Council's Strategic Equality Plan, therefore an impact assessment has not been carried out.

## **7. PERSONNEL IMPLICATIONS**

7.1 There are no personnel implications.

## **8. CONSULTATIONS**

8.1 Any comments from the consultees have been included in the report

## **9. RECOMMENDATIONS**

9.1 Members are requested to note the framework that exists to lessen the risk of fraudulent activity throughout the Council.

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