

AUDIT COMMITTEE

19 MARCH 2015

CORPORATE FRAUD

Report from: Internal Audit

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Summary

To inform Members of matters relating to corporate fraud, including outcomes of investigations and fraud referrals received by Audit Services. This report does not include details of any investigations that need to be reported as exempt items.

1. Budget and Policy Framework

1.1 It is in the remit of the Audit Committee to take decisions regarding accounts and audit issues.

2. Background

2.1 The Anti-Fraud and Corruption Policy forms part of the Council's Constitution and sets out the council's commitment to ensuring the opportunity for fraud and corruption is reduced to the lowest possible risk.

2.2 Prosecutions, cautions and administrative penalties relating to benefits and council tax reductions are reported in **Annex A**, along with a year on year comparison of identified overpayments with the prior two years. This report relates to Quarter 3 of 2014/15.

2.3 Audit Services are responsible for investigating all suspected fraud perpetrated against the council by employees and contractors. Where there are any internal fraud and irregularity investigations these are reported here along with a record of any control weaknesses identified and management actions put in place to strengthen existing arrangements. In this case there are none to report.

3. Disciplinary issues emanating from investigations

3.1 To ensure anonymity is maintained staff investigations relating to External Benefit Fraud will continue to be included on the External Investigations Report at Annex A. This report will not identify the offender as a member of staff.

3.2 Where Medway staff are subject to disciplinary action, as a consequence of an Audit Services investigation, details will be provided to Audit Committee as an exempt item. Generally the disciplinary action would be reported once the criminal matter is concluded.

4. Fraud Resilience Strategy 2014/16 - Update

- 4.1 The 2014/16 Fraud Resilience Strategy (FRS) was presented to the Audit Committee in March 2014, including a proposed action plan for 2014 –16.
- 4.2 The Fraud Resilience Strategy continues to link to the 2014/15 and the proposed 2015/16 Audit Programme.
- 4.3 The FRS covers a number of specific service areas but also covers work related to council-wide arrangements, including:
- Increasing fraud awareness across the council
 - Further review of the current protocols for handling internal investigations.
 - Monitoring the impact and use of the fraud hotline established in 2013.
 - Review of procedures for dealing with Data Protection Act requests from external agencies.
 - Maximising the use of internal and external data matching for identifying potential fraudulent activity.
 - Review of Corporate Fraud Policy.
- 4.4 Where Audit Services identify weaknesses in the control environment, either as part of the fraud resilience work or through the undertaking of individual investigations, the proposed improvements for strengthening controls are discussed with management to ensure the action they take is proportionate to the risk.
- 4.5 The strategy is presented to Audit Committee biennially, with six monthly updates on progress. The last update was provided in September 2014. **Annex B** provides the updated 2014/16 Fraud Resilience Strategy.

5. Risk Management, Financial and Legal implications

- 5.1 There are no risk management, financial or legal implications arising from this report.

6. Recommendations

- 6.1 Members are asked to note progress in investigating fraud in accordance with the approved Anti Fraud & Corruption policy.

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Background papers

Sanction Policy (revised 2006) & Anti-Fraud & Corruption Policy (updated August 2012)
Fraud Resilience Strategy 2014/16 – presented to Audit Committee March 2014 and updated in September 2014.