

AUDIT COMMITTEE

17 MARCH 2022

COUNTER FRAUD PLAN 2022-23

Report from: James Larkin, Head of Audit & Counter Fraud Shared Service
(Chief Audit Executive)

Summary

This report presents for approval the Counter Fraud Plan for 2022-23.

1. Budget and policy framework
 - 1.1. Council delegates responsibility for the oversight and monitoring of internal audit and counter fraud to the Audit Committee.
2. Background
 - 2.1. Since 1 March 2016 the council's counter fraud activity has been delivered by the Internal Audit & Counter Fraud Shared Service with Medway Council. Planned counter fraud activity has previously been included as part of an overall plan for Audit & Counter Fraud as officers were working in multi-disciplinary roles. Following a return to designated roles, and in line with recommended best practice, a separate work plan has been produced to cover all counter fraud activity and provide more detail around the work of the Counter Fraud Team than has previously been specified in the joint plans.

Counter Fraud Plan 2022-23

- 2.2. The Counter Fraud plan for 2022-23 has been designed to show how the council will aim to use the available resource and is broken down into four keys areas of activity:
- 2.3. **Fraud Awareness and Prevention** – prevention is better than cure, so there will be resource dedicated to educating staff around fraud risks, what they should be alert to and the role they play in trying to prevent it happening. It is also intended that fraud risk assessments will be completed in key areas of inherent risk to assess the controls and residual risks. Officers will be available to attend corporate working groups to offer advice where fraud risks are being considered as part of ongoing projects. There will also be a review

of the Councils Anti-Fraud & Corruption Strategy to ensure it remains in line with best practice.

- 2.4. **Pro-Active Counter Fraud Activity** – This will involve work to pro-actively identify potential instances of fraud and error and will primarily involve participation in the National Fraud Initiative Exercise and activities co-ordinated by the Kent Intelligence Network, but it may be possible to conduct internal exercises specific to the fraud risks of the council that not picked up by those larger projects.
- 2.5. **Responsive Investigation Activity** – This will form the largest area of work for the team and will relate to the investigation of alleged fraud / error / malpractice. While officers will primarily be responsible for the investigation of alleged fraud, their skills may be used by HR in the investigation of complex disciplinary matters.
- 2.6. **Other Counter Fraud Activity** – the council has a service level agreement with the Single Fraud Investigation Service to provide information relating to housing benefit claims that they are responsible for investigating. The team also respond to requests for information under the Data Protection Act that are received from the Police and other investigating bodies, including other local authorities. While it does not directly contribute to the performance of the service, it does require a level of resource, which is why it is included in the plan.
- 2.7. As members will be aware, the counter fraud measures have been removed from the Internal audit Quality Assurance & Improvement Programme. However, there are a number of performance measures that are relevant to the Team, and these are outlined in section five of the plan document. It will be noted that many of them do not have targets for the outturns and this is because of the largely responsive nature of the service, which dictates where resource must be allocated. For example, the investigation of existing cases of suspected fraud will always take priority, so there may have to be less resource dedicated to identifying further cases if there is no resource available to then investigate.
- 2.8. However, it is important to demonstrate where the service has applied its resource and the outcomes achieved. Members will receive details of the outturns against these indicators as part of the periodic update reports and the annual counter fraud report.
- 2.9. A copy of the Counter Fraud Plan 2022-23 is presented at Appendix 1.

3. Risk management

- 4.1. The prevention, detection and investigation of fraud contributes to the council meeting its duties under section 151 of the Local Government Act 1972. The Counter Fraud Plan is intended to demonstrate how the council will use its Counter Fraud Resource to best support this duty by identifying and taking

appropriate action in suspected and proven instances of fraud, as well as seeking redress.

4. Financial implications

5.1. An adequate and effective Counter Fraud function helps to identify fraud and error that could have an adverse effect on the financial statements of the council. Since the inception of the shared service, the financial savings achieved through counter fraud activity have always exceeded the costs incurred. For example, the budgeted costs for counter fraud in 2021-22 were approximately £134,387 (35% of Medway shared service costs) and financial savings as of 31 January 2022 were £566,827, representing good value for money.

5. Legal implications

6.1. Section 151 of the Local Government Act 1972 places a duty on local authorities to make arrangements for the proper administration of their financial affairs. The prevention, detection and investigation of fraud contributes to this requirement to ensure that public money is protected from fraud.

6. Recommendation

7.1 The Committee is requested to approve the Counter Fraud Plan 2022-23 presented at Appendix 1.

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Appendices

Appendix 1 – Counter Fraud Plan 2022-23

Background papers

None