

By: Samantha Buckland – Acting Head of Internal Audit
To: Governance and Audit Committee – 29th November 2011
Subject: INTERNAL AUDIT - ANTI-FRAUD AND CORRUPTION
PROGRESS REPORT
Classification: Unrestricted

Summary: This paper provides a summary of progress of anti-fraud and corruption activity as well as the outcome of irregularity investigations concluded since the last Governance and Audit Committee meeting in September 2011.

FOR ASSURANCE

Introduction and Background

1. The responsibility for anti-fraud and corruption activity is set out within the Council's Financial Regulations and the Terms of Reference for the Governance and Audit Committee. The work of the Committee is to ensure that the Council has a robust counter-fraud culture backed by well-designed and implemented controls and procedures. This additional paper has been prepared to emphasise the planned activity and progress to date and therefore support the Committee in meeting its obligations described in the Terms of Reference.

Overview of Progress

2. In 2010 Internal Audit carried out a self assessment of the Council's anti-fraud and corruption arrangements against the CIPFA Red Book 'Managing the risk of fraud – Actions to counter fraud and corruption'. The Red Book is divided into five key areas of activity covering the strategic approach to anti-fraud and corruption, measuring fraud and corruption losses, the necessary authority and support for anti-fraud and corruption work, the range of actions taken to tackle problems (e.g. deterrence, prevention, detection, investigation, sanctions and redress), and ensuring that there are clear outcomes for anti-fraud and corruption work.
3. This assessment identified that a significant amount of work was required to complete the recommended actions. After the successful recruitment of a Counter Fraud Manager in August 2011 Internal Audit committed to presenting a detailed action plan to members for their review and agreement. The plan is attached at Appendix A. The plan identifies actions and the associated target dates, as well as progress made so far.
4. In terms of progress to date the Counter Fraud Manager has met with the Pioneer management group to discuss fraud risks and the Council's strategy, these discussions will be used to formulate future proactive anti-fraud work. Fraud awareness presentations have been delivered to the Challenger management group, through the Financial Management Development Programme and to Waste Management; positive feedback has been received from each presentation. In addition, the Intranet has been updated with useful information about fraud and fraud prevention advice.

Irregularities

5. Investigation activity has dominated the work flow of counter fraud since the last Governance and Audit Committee. Eight irregularities have remained under active investigation and two have been concluded. The detail of the cases concluded is set out in Appendix B.
6. In relation to the Laser Energy Buying Group investigation the defendant has pleaded not guilty and the trial has been set for March 2012, this is therefore ongoing and results will be reported to the committee for assurance in due course.
7. In terms of common themes in these allegations, two of the investigations relate to timekeeping and expense irregularities and recommendations have been made to strengthen both the policy and the reclaim processes. The outcome of these recommendations will be reported at the next Governance and Audit Committee. Three of the investigations relate to irregularities in schools, two of these are concerned with credit card abuse and the third concerns a school that has entered into an excessive number of photocopier leases. There has also been one incident of a supplier attempting to bribe an officer; the bribe was refused and the incident has been reported to the Police.

Recommendations

8. Members are asked to note:
 - the progress of anti-fraud and corruption activity; and
 - the assurance provided in relation to the anti-fraud culture and fraud prevention / investigation activity.

Paul Rock
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