

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**COUNTER FRAUD WORK**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To inform members of counter fraud work carried out.
- 1.2 Regular reporting on counter fraud issues is an important source of assurance for Members to fulfil their role and provides supporting evidence for the annual approval of the Governance Statement.

**BACKGROUND INFORMATION**

- 2.1 The Audit Committee receives reports throughout the year on counter fraud work to provide assurance on the adequacy of arrangements the council has in place. Two types of work are reported; proactive – designed to evaluate controls in place to prevent and detect fraud occurring; and reactive – the outcome of fraud investigated.
- 2.2 Resources are identified within the audit plan each year for counter fraud work. The council participates fully in the Audit Commission's National Fraud Initiative (Data Matching) and good progress is being made on this years exercise. All data match sets have been screened and are being investigated and information has been shared with other authorities to progress these investigations. The Commission's reporting deadline is February 2010 however updates will be reported to provide the Committee with sufficient assurance on progress made.
- 2.3 Other examples of proactive work carried out include:
  - Debit Cards  
Debit cards are issued to a small number of council officers for use in particular circumstances. The review confirmed appropriate use of the council's debit cards.
  - Hospitality Expenditure  
As a result of an investigation into an instance of minor inappropriate expenditure an audit into the use of council funds for staff hospitality was carried out. This found no further instances of use of council funds for staff hospitality.

- Car Hire  
Following an investigation into mileage and car hire anomalies an audit review was carried out. Results showed no further anomalies.
- Various income audits
  - Income collection procedures are examined as part of the schools audit programme and feedback is reported on an individual school basis and collectively to Children's Service Management each year. In general income is collected and appropriately banked however financial administration could be improved in some cases through better receipting procedures.
  - A review of car parking income provided positive assurance on the arrangements in place.

2.4 A number of investigations have recently been carried out concerning small scale cash anomalies and losses in leisure centres. The work has highlighted some weaknesses in cash handling and security procedures. Members will also recall a £6k leisure centre fraud was reported to the Committee in April 2009. As a result of this theft a review of financial administration across leisure facilities was also carried out and recommendations for improvement made. Follow up work showed that recommendations had not been fully implemented. Further reports have been issued as a result of the recent investigations and work is ongoing with Asset Management and Culture managers to address control weaknesses highlighted.

2.5 Potential fraud risks are publicised via council wide communications as appropriate. These alerts help raise awareness of new and emerging threats in order to prevent future frauds occurring. A recent example warned staff of the 'phishing' scams designed to fraudulently obtain banking details under the guise of tax refunds.

2.6 The benefits fraud section continues to be proactive and successful. Between April and end of August 2009 forty four prosecution and sanctions have been issued and the section is on course to meet the annual target of 90. One case involving a claimant who had undeclared capital and property abroad was reported in the press and acts as a deterrent, helping to reduce future fraud.

The performance for reducing the amount of fraud and error in the benefits system is measured by NI180 which counts the number of changes in circumstance that have been actioned. A recent meeting was held with representatives from the Department for Work and Pensions to discuss the council's performance in this area. This was a positive meeting and showed that our performance compares very well to other councils.

- 2.7 The Anti Theft Fraud and Corruption Strategy was approved in April 2009 and included a new section on anti money laundering arrangements. CIPFA have recently issued 'Combating Financial Crime' - further guidance on anti money laundering for public sector organisations, Implications of this guidance will be considered and the Strategy will be updated as necessary and reported to the next Committee meeting.

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 The Committee is asked to consider whether regular reports on proactive and reactive fraud work provides sufficient assurance on the adequacy of counter fraud arrangements.
- 3.2 The Committee may decide that the update report does not provide sufficient assurance on the adequacy of counter fraud arrangements in place or may seek further clarification.

### **4. OPTIONS FOR CONSIDERATION**

- 4.1 Regular counter fraud update reports are designed to provide this Committee with the assurance on the adequacy of arrangements on place. Members should ask sufficient questions to ensure the report provides sufficient assurance to fulfil their role as set out in the Committee's terms of reference.
- 4.2 The option set out in 3.2 represents an opportunity missed to receive an important source of assurance to assist the Committee to fulfil its role effectively if adequate clarification is not provided.

### **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

- 5.1 Resources are met from the Internal Audit budget have been incorporated into the 2009/2010 Audit Plan. Minor costs associated with the telephone and publicity for the Hotline will continue to be maintained within the Finance Service budget. Savings should continue to accrue as a result of improved efficiency and the avoidance of loss.
- 5.2 There are no additional staffing implications.

## **6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)**

- 6.1 The Chief Financial Officer has a statutory duty under the provisions of the Local Government Act 1972 to ensure the proper administration of the council's financial affairs.

The council's arrangements to prevent, detect and deter fraud and corruption comply with relevant legislation such as, Public Interest Disclosure Act 1998, Regulation of Investigatory Powers Act 2000 Proceeds of Crime Act, The Terrorism Act and the Money Laundering Regulations 2007.

## **7. OUTCOMES OF CONSULTATION**

- 7.1 No consultation to report.

## **8. RECOMMENDATIONS**

- 8.1 The Audit Committee should consider whether the counter fraud provides a sufficient level of assurance on the adequacy of counter fraud arrangements.

### **SERVICE DIRECTOR FINANCE**

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#### **Background Papers used in the preparation of this report :**

CIPFA - Code of Practice for Internal Audit in Local Government in the UK  
Money Laundering Regulations 2007  
CIPFA - Proceeds of Crime (Anti Money Laundering) practical guidance for public service organisations  
CIPFA - Combating Financial Crime - further guidance on anti money laundering for public sector organisations,