

AUDIT COMMITTEE: 13 November 2018

INTERNAL AUDIT PROGRESS REPORT 2018/19 – INVESTIGATION TEAM

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 10.2

Reason for this Report

1. Audit Committee's Terms of Reference requires Members to:
 - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.
 - Monitor the Counter-fraud strategy, actions and resources.
 - Consider reports from the Audit Manager on Internal Audit's performance during the year.
2. This report has been prepared to provide Audit Committee Members with an update on the work of the Audit Section's Investigation Team, as at the 19th October 2018, and to provide a summary of a recent Wales Audit Office publication "National Fraud Initiative (NFI) in Wales".

Background

3. The Head of Finance prepares quarterly progress reports, outlining the work undertaken by the investigation's team. The Audit Plan is prepared each year in order to provide a measure of the work performed by the Audit function. It is important that this allows for flexibility and the application of professional judgement to enable work to be prioritised and responsive to changing risks.
4. The Audit Commission in England and Wales launched the NFI in 1996 to help public bodies match claimant information across different service areas and geographical boundaries, for the purpose of detecting and preventing fraud. Whilst NFI is run as a UKwide initiative, it is administered in Wales by the Auditor General for Wales. The NFI has identified more than £35 million of fraud and overpayments in Wales, and nearly £1.7 billion across the UK since 1996
5. Audit Committee were briefed on the local government counter fraud and corruption strategy in September 2016. Fighting Fraud and Corruption Locally is a strategy for English local authorities.
6. Cardiff Council has adopted the principles of the strategy and produced a Counter Fraud Tool Kit and Fraud Response Plan which introduced a procedural guide for required actions, which must be followed, in the event of a suspicion of fraud, bribery, corruption or financial impropriety. These documents were presented to Audit Committee in March 2018.

Issues

7. The progress report can be found in Appendix A, and highlights the resource demands a large scale police investigation is having on the team's ability to conclude investigations. Despite resource pressures, Investigating Officer training continues to be delivered by the team and satisfaction levels remain at 100% with positive feedback.
8. Whilst the number of investigations completed for the period April – October 2018 are significantly less than the same period last year, the value exceeds £44,000. It is noted that the value of Council Tax cases closed is higher, compared to last year. The number of referrals received has increased and this can be attributed to NFI data matches.
9. The Wales Audit Office published their report, National Fraud Initiative in Wales, on 23 October 2018, included at Appendix B. The report summarises the findings of the biennial National Fraud Initiative in Wales, for the period 1 April 2016 to 31 March 2018. Appendix C contains an executive summary of the publication from the Internal Audit Investigation's Team.
10. The NFI 2016 exercise, resulted in Cardiff Council processing 3,646 matches, detecting £148,000 fraud and error.
11. The annual Council Tax data matching exercise operates in addition to the NFI exercise. Since July 2017, 1,115 matches have been processed, identifying £144,000 of incorrect discounts.
12. Preparations are underway for the National Fraud Initiative 2018 data matching exercise, and matches should be available to review during quarter four.

Legal Implications

13. There are no legal implications arising from this report.

Financial Implications

14. There are no financial implications arising from this report.

RECOMMENDATIONS

15. That the Committee notes the content of the report and the attached appendices.

IAN ALLWOOD
HEAD OF FINANCE
13 November 2018

The following Appendices are attached:

Appendix A – Investigation Team Progress Report
Appendix B – National Fraud Initiative in Wales, Wales Audit Office Publication
Appendix C – National Fraud Initiative in Wales, Executive Summary