

AUDIT COMMITTEE: 26 June 2018

**INVESTIGATION TEAM AUDIT ANNUAL REPORT 2017/18 / PROGRESS
UPDATE 2018/19**

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 11.2

Reason for this Report

1. Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption and to monitor the Counter-fraud strategy, actions and resources.
3. This report has been prepared to provide Audit Committee Members with an overview of the Investigation team approach and the work undertaken over the past twelve months, of which includes issues identified for the early part of 2018/19.

Background

4. The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Internal Audit, Investigation Team supports this by providing a specialist independent function that is able to investigate all referrals to an appropriate outcome.
5. The Council Corporate Fraud, Investigation Team offers support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures, and policies and procedures. A cohesive approach is taken to reflect best practice, support corporate priorities and the Council in its statutory obligation under section 151 of the Local Government Act 1972. This is to ensure protection of public funds and to have an effective system of prevention and detection of fraud and corruption. Furthermore, it supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity, such as money laundering activity.
6. The Head of Finance prepares quarterly and half-yearly progress reports, outlining the work undertaken by the team. The Corporate Director, Resources receives progress updates, in order to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities.
7. Cabinet approved the Council's Fraud & Bribery Corruption Policy on the 14 June 2018. This Policy had previously been considered by Audit Committee in March 2018.

Issues

8. The annual report (Appendix A) sets out the activity and performance of the team for the year 2017/18. This activity is primarily split between investigations, delivery of training and reviewing our key documentation such as the Counter Fraud toolkit and the revision of the Fraud, Bribery & Corruption Policy.
9. The annual report highlights that for the majority of 2017/18, the team was 2.5 full time equivalent. Currently, the team contains two staff, which is 1.5 full time equivalent. Recruitment of experienced investigators has proven to be challenging. The mitigation currently in place is to supplement the team with resources from other directorates, particularly where resource is required to fraud irregularities. Those resources are managed by the Group Auditor (Investigations). This mitigation is a temporary measure whilst a more sustainable solution is identified. Audit Committee will be kept informed of proposals.
10. Staff development and training continues to be a priority, the Investigation Assistant successfully completed the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Technician course during the year and the University of Portsmouth's, Counter Fraud Professional Accreditation Board agreed the award of Counter Fraud Technician at their meeting during March 2018.
11. The Cabinet Office is currently working on the Government Counter Fraud Profession and introducing core competencies and standards. The Group Auditor (Investigations) was invited to participate in a CIPFA working group, looking at the work of the Cabinet Office, with the aim of producing comparable standards for local authority investigators.
12. The team has adopted the Fighting Fraud and Corruption Locally Strategy 2016/19. A strategy that has been produced for English local authorities and sets out ways in which local authorities can further develop and enhance their counter fraud response. A Counter Fraud Tool Kit and Fraud Response Plan have been produced and published; they introduce a procedural guide for required actions, which must be followed, in the event of a suspicion of fraud, bribery, corruption or financial impropriety. Both documents were presented to Audit Committee during March 2018.
13. Following an inspection of Cardiff Council, the Chief Surveillance Commissioner recommended that the Council publish an online investigation policy. The Group Auditor (Investigations) was commissioned to draft a policy and ancillary documents; these are awaiting approval.
14. Proactive work continues and the team remain the key contact with the Cabinet Office in respect of the National Fraud Initiative, data matching exercise. A pilot exercise was commissioned and Rent Smart Wales data was uploaded to be analysed. The team are currently working through the positive matches which identify cases where further investigation is required.
15. The skills and expertise of the team continue to be utilised. Two schools have engaged the services of an independent investigating officer, specialist advice and guidance has been provided on forty six separate occasions and the Council's Academy has commissioned the team to create, develop and deliver one day mandatory training to officers to enable them to undertake employee disciplinary investigations. The report

highlights that 18 employee misconduct investigations were completed, one more than 2016, with a value of £26,000. The allegations included misuse of time, misrepresentation of hours worked, personal use of a council vehicle, failure to safeguard vehicles and loss of cash.

16. Looking forward in this technologically driven world, there is the need to continue adopting current best practice and new investigation techniques through close partnership working. There is a need to work very closely with other local authorities in the future and this forms part of the plan for 2018/19.

Legal Implications

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

Financial Implications

18. The report sets out the performance of the Investigation function for 2017/18 and the ambitions for 2018/19. These outcomes can be contained within the overall budget allocation for Internal Audit.

RECOMMENDATIONS

19. That the Committee notes the content of the report.

IAN ALLWOOD
HEAD OF FINANCE
26 June 2018

The following is attached:

Appendix A: Investigation Team - Annual Report 2017/18