

AUDIT COMMITTEE: 26 June 2018

INVESTIGATION TEAM ANNUAL REPORT 2018/19

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 12.4

Reason for this Report

1. The Audit Committee's Terms of Reference requires that Members:
 - consider reports from the Audit Manager on Internal Audit's performance during the year.
 - 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.
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2. This report has been prepared to provide Audit Committee Members with an overview of the Investigation team's approach and the work undertaken over the past twelve months.

Background

3. The Council has a responsibility to protect the public purse through proper administration and control of public funds and assets to which it has been entrusted. The work of the Internal Audit, Investigation Team supports this, as a specialist, independent function, that is able to investigate its referrals, to an appropriate outcome. This report reviews the issues and developments within counter fraud in Cardiff Council over the last year.
4. The 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.
5. The Audit Manager prepares quarterly 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. Cabinet approved the Council's Fraud, Bribery & Corruption Policy on the 14 June 2018, following consideration by Audit Committee in March 2018.

Issues

6. The Annual Report (Appendix A) sets out the activity and performance of the team for the year 2018/19. This activity is primarily split between investigations, delivery of training and reviewing key fraud, bribery and corruption related policies and guidance.
7. This year the Investigation Team has been significantly involved in supporting a high profile Police investigation into alleged fraud within the Council and at the year-end, the Investigation Team continues to support South Wales Police. Whilst resources have been stretched, performance has been strong, with a high number of referral investigations completed and data matches completed for recovery, for which details are provided in the sections on the teams 'work' and 'impact' within the appended Annual Report..
8. The Investigation Team has led the development of the Council's Counter-Fraud Strategy in the final months of 2018/19. Through the discussions held and decisions made to date, there is a strong corporate commitment to an organisational-wide awareness and training campaign to engage the whole workforce to retain and enhance resilience in fraud risk management. The Strategy and the design and delivery of mandatory eLearning training will add to the proactive work of the Investigation Team, and reaffirm the responsibility of all of us to prevent, detect and report potential fraud
9. The Investigation Team in 2018/19 comprised 1.5 full time equivalent officers, overseen by the Audit Manager. Both members of the team are professionally qualified counter fraud officer's, accredited with Portsmouth University and conduct criminal investigations, dealing with sanctions and financial recovery where appropriate, as well as civil investigations, and cases of employee misconduct. To deliver the corporate Strategy, and meet any significant reactive work in 2019/20, arrangements will be made to add to this resource, and seek the recruitment of an additional Investigator within the Team.
10. The work of the Investigation Team is documented within section 3 of the report, which involves proactive working to prevent, detect and investigate fraud and irregularities, work and collaboration to share intelligence and best practice, and the provision of specialist guidance, support and training for certain disciplinary officer roles. This work has led to positive outcomes for the Council, with significant overpayments identified for recovery as a result of the fraud and error identified through the work of the Investigation Team as outlined in section 4 (impact) of the Annual Report.
11. The Annual Report is written at a time when the Wales Audit Office has recently concluded its cross-sector study of the counter-fraud landscape in the Welsh public sector. The outcomes of this report are being considered, and any recommendations from a further review being undertaken by the Public Accounts Committee, will be fully considered when received.

Legal Implications

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

Financial Implications

13. The report sets out the performance of the Investigation function for 2018/19 and the ambitions for 2019/20. These outcomes can be contained within the overall budget allocation for Internal Audit.

RECOMMENDATIONS

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

CHRIS PYKE
AUDIT MANAGER
25 June 2019

The following is attached:

Appendix A: Investigation Team - Annual Report 2018/19