

**AUDIT COMMITTEE: 21 January 2020**

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**INTERNAL AUDIT INVESTIGATION TEAM PROGRESS REPORT**

**REPORT OF THE AUDIT MANAGER**

**AGENDA ITEM: 10.2**

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**Reason for this Report**

1. The 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.
2. This report has been prepared to provide Audit Committee with an update on the work of the Audit Section's Investigation Team, as at the 31<sup>st</sup> December 2019.

**Background**

3. The Audit Manager prepares quarterly progress reports, outlining the work undertaken by the Investigation Team, its key outputs and outcomes.
4. Progress reports focus on the proactive and reactive investigation activities underway, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises. Information is also provided on the officer training delivered by the team.

**Issues**

Progress Update

5. One hundred and one referrals have been received so far this year at, which is below the number received in the same period last year (of one hundred and fifteen). Fifty-seven investigations are presently ongoing.
6. One hundred and nineteen investigations were concluded by the Investigation Team between April and the end of December 2019 to which £65,359 is attributed, this compares to one hundred and three concluded cases, to which £63,168 was attributed over the same period in 2018. In respect of employee investigations concluded in the year to date, sanctions have comprised one corrective action, one verbal warning, two written warnings, two final written warnings, one prosecution and six dismissals.

## Training and Awareness

7. Mandatory Fraud Awareness Training has been rolled out to all staff:
  - Two thousand, two hundred and fifty nine PC users within the Council have completed the eLearning module
  - Thirty-four face-to-face sessions have been delivered to non-PC users with more than six hundred overall attendees
  - More than seventy Headteachers have received Fraud Awareness Training during their conferences
8. Further information on planned training is provided in **Appendix A**, namely face-to-face Fraud Awareness Training arranged for School Governors in February 2020, and Counter-Fraud Training for Audit Committee, planned for delivery by the end of the municipal year.
9. Cardiff Council participated in International Fraud Awareness Week (17-23 November 2019), supported by messages and guidance for all staff from the Head of Finance on Mandate fraud, the Head of Procurement on Procurement Fraud, and the Chief Digital Officer on Cyber Crime.
10. Mandatory Disciplinary Policy, Investigating Officer training continues to be delivered by the Investigation Team, this year four sessions have been held with a total of forty five attendees.

## Fraud Tracker Exercise

11. In order to provide a council-wide view of the volume, value and risk of fraud and corruption across the organisation, a fraud tracker questionnaire, based on a CIPFA survey, has been produced following engagement with each directorate, and discussion at SMT on 14 January 2020.
12. The Fraud Tracker exercise is designed to complement both the senior management assurance statement (SMAS) and risk register processes for each directorate. It follows the intentions set within the Counter-Fraud and Corruption Strategy to be risk aware, and responsive to the threats faced by the Council.
13. Key messages from the fraud tracker exercise were:
  - Validation of records of fraud volumes and values held centrally.
  - Agreement of particularly good visibility and engagement in allegations of internal fraud through the internal recording and management system, with directorates were reminded of the necessity to report all suspicions of fraud.
  - The level of fraud investigations concluded outside of the corporate team for 2019/20 at the mid-year position were confirmed as:
    - Insurance £8.4k (1 case)
    - Blue Badge (56 badges seized, 9 successful prosecutions, 47 pending court).
  - Each Director has identified their highest fraud risks, and actions have been taken for directorate risk registers to be updated, as appropriate.
  - SMT agreement that there is effective fraud engagement internally and externally, with new policies and initiatives sufficiently developed with regards to fraud prevention controls.

### Investigation Team Action Plan

14. At this stage in the year, an opportunity has been taken to consider the level of delivery of the Action Plan as set in the Investigation Team Annual Report, as reported to Audit Committee on 25 June 2019.
15. The Action Plan is included in **Appendix B**, and shows that the team is on target to achieve the objectives set for this year. The position will be reassessed as part of the Investigation Team Annual Report, for anticipated reporting to Audit Committee on 23 June 2020.

### Wales Audit Office Study

16. Further to the Wales Audit Office report issued to the Public Accounts Committee in respect of Counter-Fraud Arrangements in the Welsh Public Sector, WAO are following this up with a study of arrangements in place at Local Authorities.
17. The findings are to form part of a national study report, but arrangements are being made for the Wales Audit Office to provide Audit Committee with an overview of the findings in respect of Cardiff at a future Committee meeting.

### Policy Review

18. A review has been undertaken of the current Money Laundering Policy and Procedure, a draft revised document has been produced and is being considered by Legal Services.
19. Once internal reviews are complete, the Audit Committee will receive an opportunity to consider the revised policy in a future meeting, in advance of consideration by Cabinet.

### **Legal Implications**

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

### **Financial Implications**

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

### **RECOMMENDATIONS**

22. That the Committee:
  - Notes the content of the progress report

**CHRIS PYKE**  
**AUDIT MANAGER**

The following appendices are attached:

**Appendix A:** Investigation Team - Progress Report

**Appendix B:** Investigation Team – Action Plan Update