

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO AUDIT COMMITTEE

17 JANUARY 2019

### REPORT OF THE CHIEF INTERNAL AUDITOR

#### INTERNAL AUDIT – CORPORATE FRAUD FRAMEWORK

##### 1. Purpose of report

- 1.1 To provide Members with an update on the Council's overarching Corporate Fraud Framework in accordance with the functions of the Audit Committee as outlined in their Terms of Reference.

##### 2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

##### 3. Background

- 3.1 One of the Core functions of an effective Audit Committee is:
- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- 3.2 Therefore, this report is focused on updating the Committee on the arrangements in place for Corporate Fraud.
- 3.3 The challenge presented to Councils by fraud is significant. As stated in the "The Local Government Counter Fraud and Corruption Strategy 2016-19" (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud cost councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.
- 3.4 The impact of fraud should never be underestimated. Fraud leaves the Council with less to spend on services for residents and costs taxpayer's money. Fraud against a local council is not a victimless crime. There's not only the lost/stolen money to consider but also:
- The loss of working time, with officers putting things right and liaising with police and lawyers;
  - Cost of the investigation and any subsequent court costs;
  - Increased insurance premiums;
  - Reduced or poor service for residents;

- Political impacts;
- Reputational damage for individuals or the Council as a whole; and
- Poor staff morale leading to poor performance and/or fraud.

3.5 According to the CIPFA Fraud and Corruption Tracker 2016; the areas posing the highest fraud risk for councils were (this list is not exhaustive):

- Council Tax Fraud – intentionally giving incorrect or misleading information;
- Social Housing / Tenancy Fraud – the unlawful misuse of social housing;
- Procurement Fraud – supply chain, contract letting etc.; and
- Adult and social care and direct payments – overstatement of needs through false declarations, multiple claims across authorities, collusion with care agencies etc..

3.6 Public Service organisations have a responsibility to embed effective standards for countering fraud, corruption and bribery. This supports good governance and demonstrates effective financial stewardship and strong public finance.

#### **4. Current situation/proposal**

4.1 A review has been undertaken which has been based on the good practice identified in the Local Government Fraud Strategy. It included an assessment of how well the Council acknowledges the risk of fraud and how it prevents, detects and pursues monies or assets obtained fraudulently. Attached at **Appendix A** is the Fraud Strategy and Framework 2018/19 to 2020/21 together with an Action Plan of proactive fraud activity to stimulate improvement which has been developed as a consequence of the assessment. This document provides an extension to the Council's existing policies affording a framework of reactive and proactive initiatives to detect fraud and / or demonstrate assurance that fraud has not taken place.

4.2 Attached at **Appendix B** is the Council's updated Anti-Fraud & Bribery Strategy for Audit Committee's comment before submitting to Cabinet for approval.

4.3 In addition and attached at **Appendix C** is the Council's Anti-Money Laundering Policy which has also been reviewed and updated for Audit Committee's comment before submitting to Cabinet for approval.

#### **5. Effect upon policy framework and procedure rules**

5.1 There is no effect upon the policy framework and procedure rules.

#### **6. Equality Impact Assessment**

6.1 There are no equality implications arising from this report.

#### **7. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

## **8. Financial implications**

- 8.1 Effective Audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

## **9. Recommendation**

- 9.1 That Members note the Fraud Strategy and Framework 2018/19 to 2020/21.
- 9.2 That Members have regard to the content of the Anti-Fraud & Bribery Strategy as set out in Appendix B and note that it will be referred to Cabinet for approval.
- 9.3 That members have regard to the content of the Anti-Money Laundering Policy as set out in Appendix C and note that it will be referred to Cabinet for approval.

**Helen Smith**  
**Chief Internal Auditor**  
**17<sup>th</sup> January 2019**

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### **Background Documents**

None