

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	28 April 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	Fraud Annual Report 2015/16
REPORT NUMBER	TBC
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

- 1.1 To provide the Committee with an update on activity by the Corporate Investigation Team (CIT) during 2015/16. This has been a transitional year for the CIT, following its creation in April 2015. On 15 September 2015 the Finance, Policy and Resources committee approved a Policy and Strategic Response to Fraud, Bribery and Corruption.
- 1.2 To provide a response to the National Fraud Initiative (NFI) report by Audit Scotland and make recommendations for improvement.
- 1.3 The report is being presented to Committee as per the requirement of section 4.4 of the Fraud, Bribery and Corruption Policy, the outstanding external audit recommendations and due to good practice based on Audit Scotland guidance in respect of the National Fraud Initiative.

2. RECOMMENDATION(S)

- i.) To note the Fraud Statistics Annual Report in Appendix 1.
- ii.) To note the response to the NFI report from Audit Scotland in Appendix 2 in respect of the report itself in Appendices 3a and b
- iii.) To endorse the approach to reviewing working practices on NFI as set out in section 3 of Appendix 2.
- iv.) To receive a report on the Fraud Business Plan in June 2016 and 6 monthly updates on Fraud and NFI activity from September 2016.
- v.) To continue to endorse and sponsor progress towards the good practice measures contained in the National Fraud Authority Self-

Assessment Checklist and paper “Protecting Public Resources in Scotland – The strategic approach to fighting fraud and error”.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from this report.
- 3.2 The further reporting and strengthening of counter fraud activity will enhance that currently in place and provide further protection against financial losses arising from fraud, bribery and corruption.

4. OTHER IMPLICATIONS

- 4.1 Services will need to review and revise the approach being taken to fraud, bribery and corruption and update their processes to ensure strengthening compliance with the revised policy. The review of working practices on NFI will result in transfer of work and revised working practices.

5. BACKGROUND/MAIN ISSUES

- 5.1 Following consultations with senior management the Council created a Corporate Investigation Team (CIT) in April 2015 and on 15 September 2015 the Finance, Policy and Resources committee approved a Policy and Strategic Response to Fraud, Bribery and Corruption. This has been a transitional year for the CIT, establishing working practices and prioritising on a reactive basis. In 2016 the CIT was transferred to the Accounting team. A business plan is under development that will set out plans for 2016/17 and introduce a more structured approach to work planning. In addition, this transfer will allow resource to be managed more effectively with additional contingency resource being sought from the Accounting team where required.
- 5.2 Appendix 1 to this report sets out an Annual Report showing the considerable activity that has been undertaken by the CIT during the year from April 2015 to March 2016. This is both in respect of major internal staff investigations and response to fraud referrals.
- 5.3 During the year, the responsibility for NFI activity was passed to the CIT. Due to the transitional nature of the year and difficulties in resourcing the initiative in prior years, there are a number of issues raised in the Audit Scotland report on this activity (in Appendices 3a and 3b). A response to these findings is set out in Appendix 2. It is recognised that it is critical to prioritise responding to these findings in a prompt manner.

This raises a number of significant issues that need to be urgently addressed including:

- Reporting of NFI progress

- Reviewing and closing off matches
- Making improvements to the approach to NFI
- Engagement with the process

In respect of the red risks, the CIT proposes to address these with the following timeline:

<p>1) Has the body reported internally or externally on NFI progress and outcomes e.g. to senior management/ elected members/ audit committees/ employees?</p>	<p>Further to this report, the progress and outcomes will be reported on a 6 monthly basis to Audit, Risk and Scrutiny Committee.</p> <p>Significant outcomes will also be reported to senior management and relevant staff.</p>
<p>2 a) Has the body recorded on the NFI system the results of its investigations and closed off the NFI reports appropriately?</p> <p>b) If not can the reasons why this is the case be provided?</p>	<p>Subject to the recommendation of a co-ordinated approach and alignment of resources in the team, this work will be prioritised so that significant progress will have been made in a 6 month period.</p>
<p>4 b) Please provide any examples of good practice or improvements to internal controls that that body has made as a result of this NFI exercise?</p>	<p>It is anticipated that the recommendations in Section 3 of Appendix 2 will be examples of good practice, such as a co-ordinated approach, access to cross cutting datasets, the Application Checker, and consultation with services to align this work with the wider work of the fraud team.</p>
<p>5. Overall, how do you rate your audited body's engagement with the NFI exercise (planning, progress, resources and response to outcomes)?</p>	<p>Following implementation of the recommendations in Section 3 of Appendix 2 including planning through the Fraud Business Plan, reallocation of resources internally and through support of the accounting team and pro-active response, it is anticipated that the level of engagement with NFI will significantly</p>

	improve over the next 6 months.
--	---------------------------------

6. IMPACT

Improving Customer Experience –

6.1 Fraud, whether organised or opportunistic, has the potential to affect all Council Services to some degree and we all have a duty to protect the public purse. Improving our response to fraud has a positive impact on the experience for the majority of customers who would wish to see fraud effectively controlled in the Council.

Improving Staff Experience –

6.2 Effective prevention of fraud protects staff and improves the motivation and morale of staff in the Council. The reporting of fraud prevention activity is reassuring to staff. The proposals in this report are for a more effective and streamlined approach to NFI that will benefit the staff experience.

Improving our use of Resources –

6.3 Prevention of fraud, bribery and corruption is critical to good resource management. Dedicating resource to this activity achieves benefit for the Council in terms of improved controls, staff motivation and productivity and prevention of financial losses.

Corporate –

6.4 This report aligns to the Smarter Aberdeen priority of Smarter Governance. The development of the Council's response to fraud is within the Corporate Governance Directorate Plan and the Finance Service Plan.

Public -

6.5 Having this policy in place demonstrates the Council's commitment to ensuring proper stewardship of the public funds with which it is entrusted and is likely to be of interest to the public.

7. MANAGEMENT OF RISK

The implementation of the recommendations in this report will further enhance the council's ability to mitigate against the risk of financial or other losses arising from fraud, bribery or corruption.

8. BACKGROUND PAPERS

Policy and Strategic response to Fraud, Bribery and Corruption (CG/15/113 – September 2015)

“Protecting Public Resources in Scotland – The strategic approach to fighting fraud and error”. (Scottish Government – June 2015)

9. REPORT AUTHOR DETAILS

Brian Muldoon,
Corporate Investigation Manager,
bmuldoon@aberdeencity.gov.uk
01224 522585