

Report to: **Audit Committee**

Date: **22 November 2018**

By: **Chief Operating Officer**

Title of report: **Counter Fraud Update and Work Plan, (including the proposed updated Anti-Money Laundering Policy)**

Purpose of report: **To provide Members with an update on the work of the integrated Counter Fraud Service**

---

## RECOMMENDATIONS

**Members are requested to note:**

- 1. the report and consider the priorities raised;**
  - 2. note the updated Anti-Money Laundering policy (Appendix A) prior to submission to Governance Committee for approval**
- 

### 1. Background

1.1 The Orbis Internal Audit structure came into effect from 1<sup>st</sup> April 2018. The integrated structure was designed to deliver the following benefits:

- Resilience, flexibility and quality;
- Specialisms;
- Sustain strong sovereign focus.

1.2 A key strand of the structure was the formation of a counter fraud team that would deliver specialist fraud resource across the partnership.

### 2. Supporting Information

2.1 The counter fraud team is resourced through an Audit Manager, Principal Auditor and Senior Auditor. In addition, two investigators are based at Brighton to deliver Housing fraud work to Brighton and Hove City Council (BHCC).

2.2 Work to date has focussed on the following areas:

Priority	Progress to date
Reactive Investigations	<p>The counter fraud team is responsible for assessing and evaluating fraud referrals received by each sovereign partner, and then leading on subsequent investigations. The team have implemented a coordinated approach to assessing and logging referrals and adopted consistent procedures for recording investigations.</p> <p>During the 6-month period to date, there have been several investigations across the partnership, some of which have been resourced through sovereign audit teams supported by advice and direction from the counter fraud team. The results of these investigations are reported at their conclusion to each separate authority within the quarterly Internal Audit progress reports.</p>
National Fraud Initiative (NFI)	<p>The datasets for the biennial NFI exercise were submitted in October 2018. The counter fraud team have taken on responsibility for the coordination and submission of these at each authority. Results from the matching exercise are due in late January 2019 at which point the counter fraud team will liaise with partner authorities to review and investigate flagged matches.</p>

<b>Priority</b>	<b>Progress to date</b>
Counter Fraud Policies	Each Orbis partner has in place a counter fraud strategy that sets out their commitment to preventing, detecting and deterring fraud. The counter fraud team will review the sovereign strategies and align with best practice to ensure a robust and consistent approach to tackling fraud. As a priority, the Anti-Money Laundering policies have been reviewed and updated to reflect recent changes in legislation. The updated East Sussex County Council (ESCC) Anti-Money Laundering policy can be found in Appendix A. Approval for this will be sought at Governance Committee in January.
Fraud Risk Assessments	Fraud risk assessments have been updated to ensure that the current fraud threat facing each partner authority has been considered and mitigating actions identified.
Fraud Response Plans	The fraud response plans take into consideration the fraud risk assessments and emerging trends across the public sector and provide a proactive counter fraud programme. These are being reviewed and aligned to deliver an efficient and effective programme of work across the Orbis partners. This will include an increased emphasis on data analytics.
Fraud Awareness	The team have been rolling out a programme of targeted fraud awareness workshops to help services identify the risk of fraud and vulnerabilities in their process and procedures. Workshops have been delivered to several teams across the partners from a mix of services.
Coordinate Counter Fraud Activities with District & Borough Partners	Recent initiatives have taken place with District and Borough (D&B) council partners that have delivered increased collection of council tax and business rates across Surrey. Benefits from this approach will be shared with ESCC and BHCC to promote closer working.

2.3 The following areas have been identified as priorities for the second-half of the year:

- Continued refresh of fraud risk assessments;
- Roll out of proactive programmes and data analytics (shaped by fraud response plans);
- Continue fraud awareness workshops to raise awareness to the risk of fraud and to promote the work of the counter fraud team;
- Launch of an Orbis wide fraud survey to coincide with Fraud Awareness Week;
- Joint working with District and Borough councils to target increased council tax and business rates collection.

2.4 From the reactive investigation work completed in recent months, the following can be drawn out as emerging threats:

- Conflicts of interest – there have been several cases across the Orbis partners where external interests have conflicted with officers’ paid employment and been either undeclared or inadequately managed.
- Procurement controls – internal audit have identified a number of cases where procurement controls have operated poorly.

2.5 In all cases, the outcomes from investigations and associated trends are used to inform future internal audit planning.

### **3. Conclusion and Reasons for Recommendation**

3.1 The developments set out above are driven by a desire to implement a coordinated counter fraud response across Orbis partners that delivers a professional and expert fraud service. The team will continue to provide both proactive and reactive counter fraud services and will periodically report on the outcomes from this to Members at all Orbis partner authorities.

**KEVIN FOSTER**  
**Chief Operating Officer**

Contact Officers:	Russell Banks, Orbis Chief Internal Auditor	Tel No. 01273 481447
	Simon White, Audit Manager (Counter Fraud)	Tel No. 020 85419191

#### Background Documents

None.