

Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



AUDIT AND RISK COMMITTEE

31 JULY 2019

FRAUD AND CORRUPTION ANNUAL REPORT

REPORT OF THE HEAD OF INTERNAL AUDIT

Purpose of the Report

1. The purpose of this report is to advise and provide assurances to Members of the Audit and Risk Committee of the results of work being undertaken within the Authority in seeking to identify, control and prevent fraud and corruption.

Background

2. Public accountability, a reputation for honesty and the exposure of misconduct are key features of the approach taken in combating potential fraud and corruption from within and outside the Authority.
3. The Fraud Act 2006 describes the following three methods of committing fraud;
 - Fraud by misrepresentation
 - Fraud by failing to disclose information
 - Fraud by abuse of position
4. Corruption is defined as “the offering, giving, soliciting or acceptance of any inducement or reward which may improperly influence the action of any person”.

The Authority’s Responsibilities in relation to Fraud and Corruption

5. In administering its responsibilities, the Authority has in place a framework of written procedures and controls to help ensure the highest standards of conduct are practised.
6. Central to these are detailed rules for decision making, and rules of procedure, including; a Constitution, Standing Orders, Contract Procedure Rules, Financial Regulations, Member, Officer Codes of Conduct, and a Whistleblowing Policy (Confidential Reporting Code).
7. The Authority has also approved a number of other policies in relation to the prevention, detection and investigation of fraud as follows:
 - Anti-Fraud, Anti-Bribery & Anti-Corruption Policy
 - Regulation of Investigatory Powers Act (RIPA) 2000 Policy
 - IT Security Policy
 - Disciplinary Procedures
8. Internal Audit has a key role in providing assurance that the Authority’s procedures and policies are adhered to and in helping to detect fraud through its testing. All Internal Audit staff are aware to the risk of fraud and corruption and help prevent this through evaluating the effectiveness of internal controls and recommending improvements to management to help manage risk.

9. It is the responsibility of the Section 151 Officer to develop, maintain and review the Authority's Anti-Fraud, Anti-Bribery & Anti-Corruption Policy. Senior Officers are responsible for promoting the Policy within their Department and ensuring that all suspected irregularities are reported to the Head of Internal Audit.
10. It is the responsibility of Senior Officers to establish sound systems of internal control in its arrangements for planning, appraising, authorising and controlling operations within their areas. In doing so Officers must be aware of the risk of fraud and corruption within their areas of operation and should seek advice from Internal Audit as considered necessary. Where possible this advice should be sought during the development of systems so that Internal Audit can be pro-active in helping management establish appropriate controls pre-implementation, thereby increasing their effectiveness and minimising risk.
11. Publication of related policies on the Authority's website and intranet is a further way in which the Authority seeks to be pro-active in this area. Policies are also incorporated into Employee Handbooks and are identified during officer and member induction.
12. Internal Audit will look to advise / work with the Clerk and with Investigating Officers in determining the relevant course of action to be pursued, in the event of fraud or corruption including, where it is considered appropriate, to involve the Durham Constabulary. To help manage this process the Council has a dedicated Counter Fraud Team within the Internal Audit Service who hold appropriate professional qualifications in Fraud Investigation.

National Fraud Initiative NFI

13. Internal Audit also supports management pro-actively in the prevention and identification of potential irregularity through membership of the National Anti-Fraud Network (NAFN) and directly through participation within the National Fraud Initiative (NFI).
14. The NFI is the Cabinet Office's data matching exercise that runs every two years. Data from Authority systems was submitted in October 2018 and was matched across systems and against data submitted by other organisations to identify potential fraud and / or error.
15. The exercise focused upon payments made in relation to pensions, payroll and creditors and generated various reports, provided across four separate data releases between January and May 2019, and containing a total of 558 data matches for further investigation.
16. At the time of writing this report, a total of 507 matches have been cleared with no instances of fraudulent or irregular activity, being perpetrated by Service employees, pensioners or their representatives identified. The remaining 51 matches have been shared with the Service for further investigation and are still being reviewed.

Fraud and Corruption Survey

17. Internal Audit adapted the former Audit Commission's fraud and corruption survey attached as Appendix 1 for use as a reference point against which fraud can be analysed and categorised. Through discussion with the Director of Corporate Resources no incidences of fraud were identified as occurring during 2018/19.

Recommendation

18. Members are requested to note the progress made and assurances provided in relation to the Authority's anti-fraud and anti-corruption arrangements.

Stephen Carter, Audit and Fraud Manager, 03000 269665