

**Open Report on behalf of Pete Moore
Executive Director Resources and Community Safety**

Report to:	Audit Committee
Date:	21 March 2011
Subject:	Counter Fraud and Investigations Work Plan 2011/12

Summary:

To build on the work we have completed to date, we have realigned our resources to strengthen the team and expand our pro-active counter fraud activities. Investigative demand has affected the extent of our pro-active work over the last few years but what we aim to do from 2011 onwards is refocus our attention on three key areas: deterrence, prevention and detection. Our capacity to investigate suspected fraud will not be affected by these changes.

This counter fraud activity makes a positive contribution to the Council's governance arrangements and helps protect the public purse, particularly at this time of huge change, scarce resources and increased fraud risk.

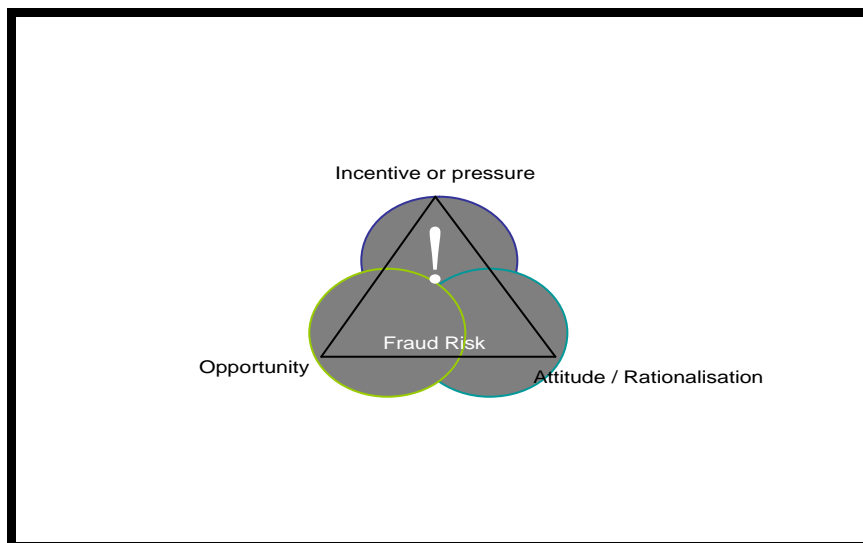
Recommendation(s):

To review and approve the Counter Fraud Work Plan for 2011/12.

Background

- 1 At the conclusion of the Council's workforce change process we believe our proposed new structure will support the delivery of the pro-active counter fraud activity whilst maintaining sufficient investigative resource to respond to the continued flow of fraud referrals. We shall have two distinct workstreams within the counter fraud and investigations team.
- 2 Throughout the year we will also ensure the counter fraud pro-active activity dovetails into the probity and due diligence work we complete on the Council's key financial systems, thus maximising the use of resources.
- 3 We have allocated more time in 2011/12 to raise awareness on the risk of fraud and corruption with our managers and staff, some of whom will have new areas of responsibility and fewer resources. It is crucial that managers, staff and our key partners:
 - fully understand the fraud risk exposure in their service areas
 - work with us to help improve control mechanisms to manage that risk exposure in an effective and proportionate way

- are aware of the indicators of fraud
 - are clear how to respond when irregularities arise
- 4 There is an increased emphasis on development work in the plan. This is important as the Council works through the significant changes which will result in leaner management structures, reduced staffing levels across most functions, new ways of working and a more flexible approach to innovation, service delivery and progress.
- 5 We intend to revisit the fraud risk assessment over the next year as these changes and service intentions become clearer – this will inform our future pro-active work (particularly around prevention and detection). In the interim we shall focus on those areas which become more vulnerable to fraud during transitional periods.
- 6 Studies show that change, especially involving potential job losses, public services, new ways of working and a quickly altering control environment can create the right conditions for fraudsters. The diagram below (The Fraud Triangle) illustrates the key factors affecting the fraud risk in any organisation – by far the biggest motive is incentive or pressure (70%). In this period of change there is no doubt all three factors will exist.



- 7 For the first time our plan will include a programme of continuous analytical work and fraud testing on areas such as:
- payroll
 - expenses
 - procurement (including procurement card use)
 - imprest (petty cash) accounts
 - mobile phone and internet use
 - payments (creditors)

- 8 The programme of continuous fraud testing will first require development work to:
- ensure that data from Council systems is easily and accurately imported into our interrogation software (IDEA)
 - create standard analytical routines to identify unusual or suspicious transactions, trends and patterns
 - help focus our testing to identify fraud and/or error
- 9 Our pro-active work has traditionally been designed to prevent and detect fraud and error – we shall be expanding this remit, where appropriate, to include opportunities to reduce loss caused by waste.
- 10 Action plans resulting from this work will focus on recovery action (where loss through fraud & error is identified) and recommendations to improve systems, process or policy to prevent reoccurrence. Where there is scope to reduce loss caused by waste our recommendations shall focus on potential new ways of working.
- 11 Allied to this is the opportunity to fraud proof new systems and policies and also work with managers to help reduce the risk of fraud in existing systems and processes. Over the next year we plan to increase our profile, inform managers of our expanded remit and explore how we can collectively strengthen the arrangements to effectively counter fraud.
- 12 We have also allocated more counter fraud resource into developing our communication arrangements – website, fraud bulletins, guidance to managers, articles in the County News and local media including more frequent publication of results: successful prosecutions, savings, recovery of losses and other sanctions.

Conclusion

The Work Plan for 2011/12 includes more development work than in previous years in order to ensure efficient and effective use of the counter fraud pro-active resource. There is an increased focus on: raising awareness, fraud proofing new and existing contracts, policies and systems and due diligence / fraud detection work at a time of increased risk caused by the significant changes currently taking place within the Council.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Draft Work Plan 2011/12

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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