

London Borough of Sutton

Audit Committee - 16th December 2010

Report of the Chief Internal Auditor

INTERNAL AUDIT – ANTI-FRAUD & INVESTIGATIONS UPDATE

Ward Location: Not Applicable

Author(s) and Contact Phone Number(s):

David Dobbs - Chief Internal Auditor
(020 8770 5260)

Area Served: Borough-Wide

Executive Councillor: N/A

Report For Information only

Summary

This report summarises the recent investigation work that has been undertaken by Internal Audit.

Members of the Audit Committee are asked to consider and comment on this report.

1. Background

- 1.1 At its April 2010 meeting the Audit Committee requested quarterly information concerning any fraud related investigations carried out by Internal Audit. This report is designed to meet that requirement.
- 1.2 This report concerns reactive fraud and malpractice investigations that are undertaken by Internal Audit as a result of officer referrals or whistleblowing disclosures.
- 1.3 Internal Audit also co-ordinate the Council's data matching and investigation work undertaken as part of the Audit Commission's National Fraud Initiative. Internal Audit and the Revenues and Benefits investigations team produce separate reports detailing progress with this work.

2. Issues

Audit Investigations

- 2.1 To the end of November 2010, Internal Audit had initiated 11 investigations, 2 of which are ongoing.
- 2.2 Since we last reported these details to the Audit Committee, the following investigations have been closed:

187: This concerned a suspicious invoice that had been raised requesting payment to an individual employee. In fact the invoice was raised in error and the debtor account has been written back.

189: This matter concerned the possible theft and sale of Council assets. As a possible criminal matter this has been referred to the Police for action. No further investigation work is required from Internal Audit.

190: Internal Audit investigated a whistleblowing report concerning the conduct of an individual who operates a contract service with the Council. It was concluded that there was no basis for complaint or remedial action.

191: This was an internal referral into potential irregularities in a procurement exercise. No evidence of fraud or corruption was found, although PQQ scoring was inconsistent; it was agreed with management that this matter required the officers involved to undertake additional training.

193: This was a member related query into possible irregularities in Section 106 monies. Whilst no impropriety was found, a recommendation was made which would improve record keeping and transparency.

2.3. The following investigations are ongoing:

192: This concerns an allegation of collusion in the awarding of contracts.

194: This matter concerns an allegation of fraudulent payments.

2.4 Investigations 184, 185, 186, and 188 were closed earlier in the year and details were reported to the Audit Committee at its September meeting

Fraud Awareness Training

2.5 As part of the Council's ongoing commitment to fighting fraud and creating a zero tolerance approach, Internal Audit has launched two online training courses to improve awareness of the relevant issues. Relevant details were publicised in Insight, in an EMT bulletin and in the members newsletter; Strategic Directors, Executive Heads and Heads of Service have all been asked to cascade and promote participation.

2.6 The courses, which are available to all officers and members, include details of potential indicators of fraud, links to key policies and documents, case studies from other Councils, how to report suspected fraud, managers responsibilities and an assessment quiz. Completion of the course is being monitored by Internal Audit and any individual that fails the course assessment will be asked to re-attempt it.

Comparison with Planned Audit Days

2.7 The 2010/11 audit plan includes provision of 235 days for anti-fraud and investigations work. Apart from investigations, this time also includes planned work for the Audit Commission's National Fraud Initiative data matching exercise and other pro-active anti-fraud work. For the 6 months to the end of September, Internal Audit spent 194 days on anti-fraud and investigation related work. This higher than expected level of inputs has resulted from a greater volume of investigations undertaken than has been the case in previous years (2009/10 – 7 investigations; 2008/09 – 11 investigations) and also the additional time invested in developing the fraud awareness training described in paragraphs 2.5 and 2.6.

3. Financial Implications

3.1 Internal Audit are funded by a budget of £532,400 (£570,100: 2009/10). The cost of Internal Audit resources deployed on investigations is absorbed within this budget. However, in some cases, it may be appropriate to engage specialist external assistance (e.g. forensic IT) and in such cases the cost will be recouped from the relevant service Group.

4. Influence of the Council's Core Values

- 4.1 The work of Internal Audit provides a valuable contribution to the provision of high quality, cost effective services.

5. Equality Impact Assessment

- 5.1 Investigations are reactive and therefore the underpinning policies and procedures used by Internal Audit are neutral. Outcomes that involve disciplinary investigations and other actions taken by HR will be monitored for equalities purposes

6. Background Papers

- 6.1 Internal Audit retains reports and working paper files of each investigation in secure storage. These confidential records are retained for a period of 6 years following completion of any legal proceedings, disciplinary or management action.

This page is intentionally left blank