

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	FINANCE AND DEMOCRACY COMMITTEE	19 FEBRUARY 2018	5
AUDIT AND CORPORATE FRAUD			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

Members are reminded that in 2015, the council agreed to participate in a shared Corporate Fraud service with existing partners Preston and Lancaster Councils following the transfer of the existing Benefit Fraud resource to the Department for Work and Pensions (DWP) from 1 June 2015, to form part of a Single Fraud Investigation Service (SFIS).

This arrangement was for a three year period which concludes in May of this year. There now exists the opportunity to continue these arrangements, and in doing so, bring the work of the Corporate Fraud Team under the management of a Shared Head of Internal Audit with Preston City Council.

RECOMMENDATIONS

1. To agree to the continuation of a shared Corporate Fraud Service, managed by a Shared Head of Internal Audit, with Preston City Council
2. To note that Fylde Council will be the employing authority for the shared Head of Internal Audit post, and that following recruitment of a suitably qualified and experienced member of staff, the Audit and Standards Committee will be invited to confirm the appointment in accordance with the Internal Auditing Standards
3. To approve a further three year Service Level Agreement with Preston City Council for it to be the employing authority for a corporate fraud team, covering Fylde, Lancaster and Preston Councils

SUMMARY OF PREVIOUS DECISIONS

Cabinet - 24 September 2014 - Cabinet approved an extension of the arrangements for the shared benefit fraud service with Preston City Council

Cabinet – 11 February 2015 –

1. To agree in principle to the establishment of a Shared Corporate Fraud Service with Preston and Lancaster Councils;
2. To note the successful joint bid for set up funds from the government in a sum of £125,750
3. To authorise the Director of Resources to enter into further discussions with Preston and Lancaster Councils on a detailed service level agreement and bring a report back to Members in due course
4. To note the savings estimated to be generated from participation in the proposed shared service set out in the report.

Cabinet – 25 March 2015 –

1. To approve the draft three-year Service Level Agreement (SLA) which would result in the establishment of a Shared Corporate Fraud Service with Preston and Lancaster Councils and authorised the Director of Resources, in consultation with the portfolio holder, to conclude the final negotiations regarding the SLA.
2. To note that the provision of this service would be treated as an exempt contract under the Council's contract procedure rules for the reasons stated within the covering report.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	√
Delivering the services that customers expect of an excellent council (Clean and Green)	√
Working with all partners (Vibrant Economy)	√
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	√
Promoting Fylde as a great destination to visit (A Great Place to Visit)	√

REPORT

Shared Service for Fraud

- Local Authorities have a duty to safeguard public funds and to take responsible steps to ensure that any public money is paid to the right people at the right time and any grants or discounts are paid to the persons entitled to them. If fraud is suspected, authorities are tasked with actively investigating allegations. Fylde, Preston and Lancaster councils presently operate a shared fraud service across the three councils to address this financial stewardship obligation.
- The shared service was formed after responsibility for housing benefit fraud passed to the [Single Fraud Investigation Service](#). It has a remit for investigating fraud, bribery and corruption by employees, members, contractors, consultants, suppliers, service users and members of the public who have dealings with the Council. In summary the shared service is responsible for :
 - Prevention, detection, investigation and prosecution of all fraud against the Council
 - Assisting the HR team with appropriate disciplinary matters
 - Providing assurance that the risk of fraud is minimised wherever possible and promoting a culture of zero-tolerance to fraud
 - Working within Internal Audit on any matters regarding Risk and Fraud affecting the Council
- Over the past three years, the tangible overpayments recovered by the shared service in relation to Fylde have been:

01/06/15 – 31/03/16	£29,114
01/04/16 – 31/03/17	£33,959
01/04/17 – 31/01/18	£33,527 (year to date)

The shared service team is confident that they will have recovered £40,000 in relation to Fylde before the end of the current financial year.

- Significant emerging areas of work in 2017/18 have included pro-actively investigating claims to small business rates relief (SBRR) made wrongly for empty properties, and scrutinising council tax single person discount claims by data matching under the National Fraud Initiative.
- Fraud Awareness training has also been delivered to Fylde's Customer Services team in the last year, and further training is planned for senior managers to raise awareness of corporate fraud and assist in the promotion of zero-tolerance to fraud.
- The shared service operates under a partnership agreement on a cost sharing basis. The present three-year agreement expires on 31 May 2018. Fylde Council pays £27,700 per annum for the shared service and it is recommended that the council renews its agreement from 1 June 2018 for a further three-year period.

Shared Head of Internal Audit

- The fraud team has a very close working relationship with internal audit. At the present time both Preston City Council and this Council have vacant posts for the Head of Internal Audit position. In conducting talks

regarding the shared fraud service, an opportunity for the councils to share a Head of Internal Audit post was explored.

8. In Fylde Council's case this post has been part-time in nature for the last five years, whilst the former Head of Internal Audit took the opportunity of a period of flexible retirement, with part-time hours, in the run-up to full retirement. The arrangement has worked well, with the Head of Internal Audit being supported by a committed team. A full external peer assessment of the audit service undertaken in December 2016 concluded that the service was conforming across all areas of focus incorporating purpose and positioning; structure and resources and audit execution. Accordingly, it is felt that the post of Head of Internal Audit could continue to be filled on a part-time basis.
9. In taking into account considerations regarding the replacement of the Head of Internal Audit (part-time), it was recognised that the number of potential candidates for a part-time Head of Internal Audit post might be limited. The opportunity to share the post with Preston City Council provides the opportunity to potentially attract a wider field of applicants. It is also proposed that the Shared Head of Internal Audit would manage the Corporate Fraud Team, providing synergies in this area across both councils and enhancing the attractiveness of the post to potential candidates.
10. Both Preston City Council and Fylde Council will retain their own in-house audit teams working beneath the Shared Head of Internal Audit. Although there may be opportunities for joint working opportunities across the two teams, for example, training initiatives; the proposed framework will also allow each council autonomy in conducting its internal audit activities.
11. The Head of Internal Audit plays a key role in good corporate governance in any organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and decision-making structures. The Head of Internal Audit is responsible for drawing up the internal audit strategy and annual plan and giving the internal audit opinion.
12. Each audit team works under a framework termed the Public Sector Internal Audit Standard (PSIAS) and these standards apply to all providers, whether in-house, shared services or outsourced.
13. In Fylde, the functional reporting of internal audit is to the Audit and Standards Committee, which fulfils a number of roles including approval of the annual internal audit plan. The Audit and Standards Committee must be invited to approve the decision regarding the appointment of the appointment a Head of Internal Audit, together with their remuneration.
14. Should the Finance and Democracy committee agree with the recommendation in this report, a further report will be made to the Audit and Standards committee following a recruitment and interview process inviting its approval of the proposed appointment. The pay and grading of the Head of Internal Audit will be consistent with the grading of the previous postholder, and will be subject to job evaluation to reflect the additional responsibilities of managing the Corporate Fraud Team.
15. As Preston City Council is the employing authority for the Corporate Fraud Service, it is proposed that Fylde Council would be the employing authority for the Shared Head of Internal Audit post, thus creating robust partnership working across these two important service areas.

Financial Implications

Corporate Fraud Service:

16. The cost of the ongoing Corporate Fraud Service as proposed in this report can be met from the recurring base revenue budget provision which exists for this purpose.

Shared Head of Internal Audit:

17. Recurring revenue budget provision also exists for a part-time Head of Internal Audit post, based on 24 hours per week. The cost of the proposed Shared Head of Internal Audit post, at 18.5 hours per week for Fylde as set out in the report, can therefore be met from this budget. Subject to the outcome of the job evaluation process, there may be a small revenue saving resulting from the reduction in hours, which it is proposed is used for additional resource within the audit team in order that it remains compliant with the requirements of the PSIAS.

IMPLICATIONS	
Finance	The proposals as set out in this report for both the continuation of the shared corporate fraud service with Preston and Lancaster City Councils, and the creation of a new Shared Head of Internal Audit post, can be met from existing revenue budget provision.
Legal	No implications arising from this report
Community Safety	No implications arising from this report
Human Rights and Equalities	No implications arising from this report
Sustainability and Environmental Impact	No implications arising from this report
Health & Safety and Risk Management	No implications arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
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BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Cabinet Minutes	24/9/14	Cabinet Minutes
Cabinet Minutes	11/2/15	Cabinet Minutes
Cabinet Minutes	25/3/15	Cabinet Minutes