



AUDIT COMMITTEE

29TH JANUARY 2019

AGENDA ITEM (11)

HISTORIC FRAUD ISSUE

Accountable Members	Audit Committee
Accountable Officer	Nigel Adams Head of Paid Service 01285 623202 nigel.adams@cotswold.gov.uk
Purpose of Report	In accordance with the wishes of the Council, to provide the Committee with an opportunity to review an historic fraud case.
Recommendation	That the Committee considers this matter.
Reason(s) for Recommendation(s)	The matter is historic, and proportionate actions were taken at the time of the incident.
Ward(s) Affected	N/A
Key Decision	N/A
Recommendation to Council	The Committee could choose to make recommendations on this matter to the Council should it so wish.
Financial Implications	None arising directly from this report. However, the Council was unable to recover the monies involved.
Legal and Human Rights Implications	None arising directly from this report.
Environmental and Sustainability Implications	None arising directly from this report.
Human Resource Implications	None arising directly from this report. However, the authorising officer was subject to disciplinary action.
Key Risks	None arising directly from this report.
Equalities Impact Assessment	Not Required

Related Decisions	<p>The matter was reported to the Audit Committee on a number of occasions, as follows:-</p> <ul style="list-style-type: none"> • on 5th April 2016 as part of the Grant Thornton Assurance Report and as part of the Internal Audit Monitoring Report; • on 28th June 2016 as part of the Counter Fraud Unit Update; • on 23rd August 2016 as part of Grant Thornton's 2015/16 Audit Findings Report and as part of the Counter Fraud Unit Update. <p>The matter was also reported to the Council meeting on 25th September 2018.</p>
Background Documents	Audit Committee and Council reports
Appendices	<p>Appendix 'A' - Report to Council, 25th September 2018</p> <p>Appendix 'B' - Minute Extract from Council, 25th September 2018</p> <p>Appendix 'C' - SWAP Follow-Up Audit Report - Assurance over Payment Procedure</p>

Performance Management Follow Up	Implement any Committee decision(s).
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Options for Joint Working	Fraud prevention measures are in place across the Publica partner councils. A combined Counter Fraud Unit is in operation.
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<p>Background Information</p> <ol style="list-style-type: none"> 1. At its meeting on 25th September 2018, at the request of a number of Members, the Council received a report detailing information in respect of an historic fraud case that had been the subject of recent media reporting. 2. The outcome from the Council meeting was a request for the Audit Committee to review the historic fraud issue that occurred and to investigate the procedures put in place as a result to ensure that they remain both relevant and fit-for-purpose - hence this report. 3. The report to Council provided background information on the matter, including a timeline of events, together with details of action taken and outcomes. A copy of the report presented to the Council meeting is attached at Appendix 'A'; and the Minute extract from the meeting is attached at Appendix 'B'. 4. As can be seen, immediate action was taken upon discovery that the Council had been subjected to a 'phishing' exercise, with procedural changes introduced to safeguard the Council for the future and to ensure, as far as was possible, that a similar event would not occur again. 5. An investigation was subsequently undertaken by Internal Audit and the (then just established) Counter Fraud Unit, along with a review of the systems and processes in place and particularly in relation to CHAPS (Clearing House Automated Payments System) payments. A number of recommendations were made to improve the control framework and mitigate the weaknesses that had been identified within the systems at the time.
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6. Given the more recent interest in this issue, SWAP Internal Audit Services have carried out further work as a follow-up to the 2015/16 investigation. A copy of the follow-up report is attached at **Appendix 'C'**, and this should help the Committee to form a view as to the assurance regarding current processes.

7. Regular and on-going training is considered vital, not only in raising awareness but also in identifying ways to recognise fraudulent activity - this training is for councillors and officers, and will feature as part of the Member Induction Programme to be delivered following the May 2019 elections. The audit report also highlights phase one of a new online training schedule that has recently been released by ICT to all staff, and will be rolled out to Members shortly. The first module to be completed is 'Think before you Click' and covers what a Phishing scam is, how to identify a phishing email and how to deal with one.

8. By way of further example, fraud awareness sessions for staff held during the course of the past year covered the following:-

- an introduction to the Counter Fraud Unit - who the team are, who they work for and their basic remit;
- basic fraud awareness for all staff - what is fraud and what are the areas of high risk in a local authority;
- whistle-blowing for all staff - outline of new policy, confidential reporting arrangements and protection provided by the legislation;
- counter fraud activity and enforcement support - intelligence gathering tools and agreements used by the Counter Fraud Unit.

9. The presentation slides were also circulated to all Members for information, offering the opportunity for feedback and questions.

10. In summary, the incident was unfortunate and regrettable, and resulted from a genuine human error. Procedural changes were put in place at the time in an attempt to prevent any recurrence of similar fraudulent activity; and these processes are subject to on-going review - especially as phishing scams and the like become more sophisticated.

11. We are constantly looking for ways to improve our security and, as mentioned, do inform and train our employees and councillors about phishing schemes and the dangers of opening links from unfamiliar sources.

12. Officers from SWAP and the Counter Fraud Unit will be present at the Meeting to respond to any queries and/or questions.

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