

***Cherwell District  
Council***

***South Northamptonshire  
Council***

**Fraud awareness workshops**

***Ed Cooke***

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## ***Agenda***

1. Introductions and objectives.
2. Role of Internal Audit.
3. Why does fraud matter? Scale of the problem.
4. Frauds trends – what we are seeing.
5. Things to consider.

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# ***Who I am***

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***A bit about you...***

# ***Role of Internal Audit***

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# ***Role of Internal Audit***

## Questions

- What do people here think the role of Internal Audit is?
- Do you think these are defined anywhere?
- Where would you look if you wanted to find out?

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# ***Role of Internal Audit***

Role of Internal Audit at both Cherwell and South Northants Councils

Definitions in:

- INTERNAL AUDIT CHARTER
- ANNUAL PLAN/REPORTS
- PSIAS

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# ***Role of Internal Audit***

## ANNUAL PLAN / REPORT

### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.



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# ***Role of Internal Audit***

## **INTERNAL AUDIT CHARTER**

### ***Scope***

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

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# ***Role of Internal Audit***

## **INTERNAL AUDIT CHARTER**

### ***Responsibility***

**It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.**

**Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.**

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# ***Role of Internal Audit***

## **PSIAS**

**Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.**

**The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.**

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# ***Role of Internal Audit***

Role of Internal Audit at both Cherwell and South Northants Councils

INTERACTIONS WITH CORPORATE FRAUD TEAM

- **Corporate Anti-Fraud Business Plan 2016-2017**

WHISTLEBLOWING

INVESTIGATIONS

# ***Why does fraud matter?***

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# ***Why does fraud matter?***

## **Protecting the Public Purse 2015**

### Headlines:

- the number of detected cases fell by more than 18 per cent to over 84,000 while their value increased by more than 11 per cent to greater than **£207 million**;
- the number of detected cases of **housing benefit and council tax benefit** fraud fell by more than half to just over 27,000 while their value fell by almost 17 per cent to nearly £23.5 million. This decline was expected; and
- the number of detected cases of non-benefit (corporate) fraud decreased by greater than 8 per cent to more than 57,000, while their value increased by greater than 63 per cent to more than £97 million.

# Why does fraud matter?

## Protecting the Public Purse 2015

Type of fraud	Detected fraud in 2014/15 (excluding tenancy fraud)	Detected fraud in 2013/14 (excluding tenancy fraud)	Change in detected fraud 2013/14 to 2014/15 (%)
<b>Total Fraud</b>			
Total value	£207,078,000	£186,382,000 <sup>1</sup>	11.1
Number of detected cases	84,608	103,743	-18.4
Average value per case	£2,447	£1,797	36.2
<b>Housing and council tax benefit</b>			
Total value	£109,707,000	£126,736,000	-13.4
Number of detected cases	27,323	41,369	-33.0
Average value per case	£4,015	£3,064	-31.0
<b>Council tax discounts<sup>2</sup></b>			
Total value	£18,624,000	£19,133,000	-2.7
Number of detected cases	48,160	54,749	-12.0
Average value per case	£387	£349	10.9
<b>Other frauds</b>			
Total value	£78,746,000	£40,513,000	94.4
Number of detected cases	9,125	7,625	19.7
Average value per case	£8,630	£5,313	62.4
<i>Source: PPP 2014 and TEICCAF</i>			

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## ***Why does fraud matter?***

PwC's most recent Global Economic Crime Survey 2016:

- 55%, over half of UK organisations, have experienced economic crime.
- 44% of respondents who experienced economic crime in the last two years had experienced cybercrime.
- 18% of fraud is now committed by senior management.



# ***Fraud trends: What we are seeing***

# ***Frauds trends and examples of common frauds***

Cyber Crime

IP Theft

Timesheets

False qualifications

Expenses

Inflated or  
duplicate  
invoices

Fraudulent  
invoices for  
goods/ services  
not delivered

Changes to  
supplier bank  
details

Diversion of  
supplier  
payments by  
staff member

# ***Local Government frauds/cases we have investigated***

Planning  
enforcement

Misuse of grants

Manipulating KPI  
data

Financial abuse  
vulnerable service  
users

Insurance /  
Procurement  
Fraud

BACS re-direction  
fraud

False claims  
catchment areas

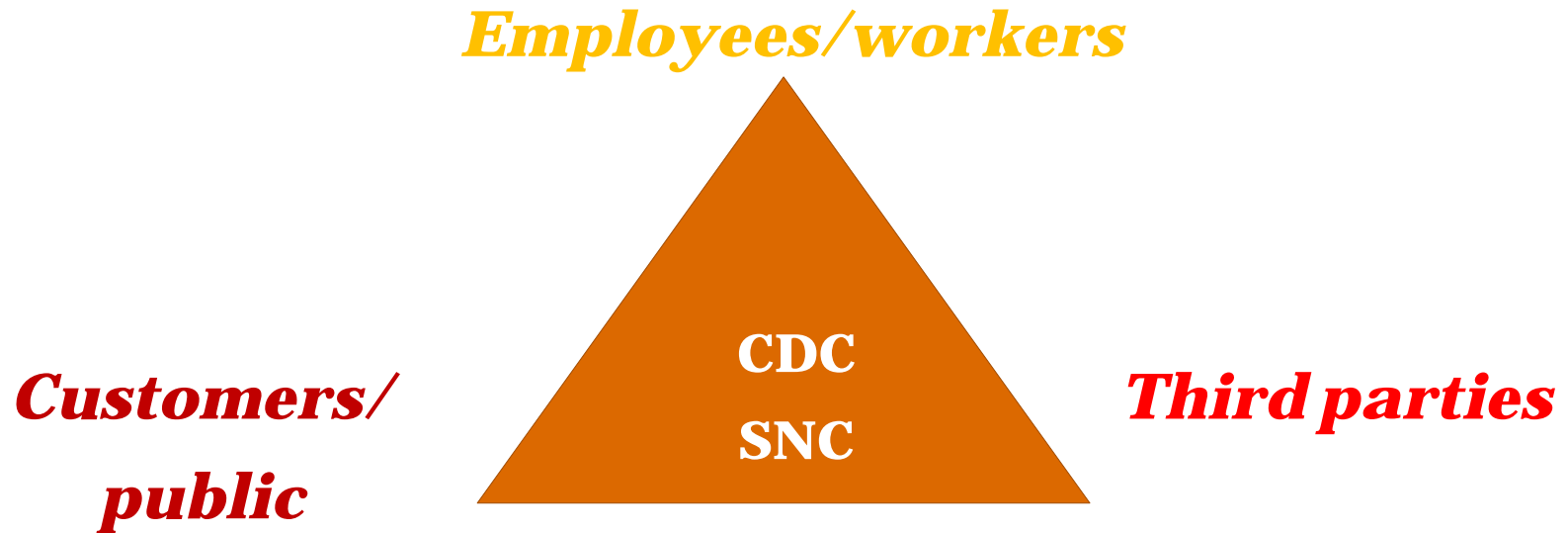
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# *How might the Councils be targeted?*

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## ***What are the fraud risks?***

***Who might defraud the Councils??***



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## ***Group session – how might fraudsters target the Councils?***

### **Discussion:**

- Thinking back to the previous slide, who/what type of people may want to defraud the Councils?
- How might they do it?
- How likely would we be to prevent/detect their efforts?
- Do you know your responsibilities?
- Do you know where to look for guidance?

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# ***Taking the right steps: How to avoid being the next case study***

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## ***Fraud risk assessment / awareness***

- Capture and consider the fraud risks we've discussed today, and any others that might occur to you.
- Think about the controls in place.
- Be objective about potential gaps – would those controls work against a determined and audacious potential fraudster? Somebody who has seen an opportunity, rationalised their action and who would have an incentive?
- Review those risks, and the operation of controls, periodically.



## ***Warning signs – our own people***

Individuals who rarely take holiday

Individuals with financial difficulties

Lack of compliance with procedures

Lifestyle does not agree to income

Close relationships with third parties

Aggressive or dominant individuals

Un-necessarily complex processes

Lack of transparency or supporting documents

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## ***Recommendations from 'Protecting the Public Purse'***

- Having robust data and data collection
- Having strong analysis, reporting and dissemination
- Promote a fraud awareness culture
- Work in partnership with others where possible (other authorities, housing providers etc)

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## ***Some sensible principles***

- Exercise due diligence.
- Be confident enough to challenge anything unusual or of concern.
- Know who you are doing business with.
- Encourage everybody to follow policies and procedures.
- Think about fraud risks in your area of operations.

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