

Tackling Fraud and Error

Project Specification

Background

Across many jurisdictions there is a need for governments to do more to measure exactly their levels of fraud and error, put in place cost-effective counter-fraud and error controls and detect and recover fraudulent payments to protect the taxpayer's interest.

Within the States of Jersey, Accountable Officers are responsible for managing the risks which their respective Department or States Bodies face, including fraud and error risk. They are responsible for establishing and maintaining sound systems of internal control to manage such risks. The Public Finances Manual sets out requirements in respect of fraud risk assessment, prevention and fraud response.

The Functions of the Comptroller and Auditor General (C&AG)

Article 11 of the Comptroller and Auditor General (Jersey) Law 2014 requires the C&AG to:

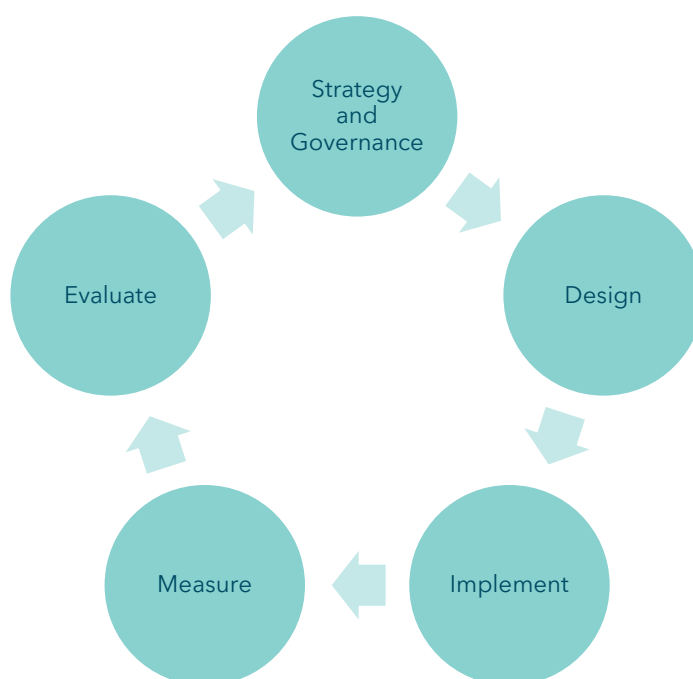
- provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Public Finances (Jersey) Law 2005
- consider and report to the States on:
 - the effectiveness of internal controls of the States, States funded bodies and funds
 - the economy, efficiency and effectiveness in the way the States, States funded bodies and funds use their resources; and
 - the general corporate governance arrangements of the States, States funded bodies and funds; and
- make recommendations to bring about improvement where improvement is needed.

Objectives of this review

The States of Jersey are in the process of updating their corporate approach to managing fraud, error and corruption risks.

My review will evaluate the States of Jersey's progress in tackling fraud and error against a good practice framework summarised in Exhibit 1. It will also follow up on previous C&AG recommendations in respect of anti-corruption arrangements.

Exhibit 1: Fraud and Error Framework



Source: UK National Audit Office Fraud and Error Audit Framework (March 2021)

The review will consider each aspect of the framework in the context of the size of Jersey as a small jurisdiction and the risks that it faces. The following aspects will be considered:

- Strategy and Governance:
 - Is an appropriate anti-fraud and error culture promoted?
 - Is there a strategy for tackling fraud and error risk, based on robust evidence and analysis, leading to clear prioritisation of activities?
 - Are options for tackling key risks reviewed regularly to keep pace with emerging threats and opportunities?
 - Are fraud and error implications considered as part of policy design and policy change?

- Is the governance structure providing effective oversight of the fraud and error strategy, including clear reporting and performance measurement, and ensuring adherence across the organisation?
- Has the organisation set clear targets as to the level of fraud and error risk to be tolerated?
- Design:
 - Are fraud and error risks and entry points into the system understood?
 - Are controls designed to effectively deter, prevent and detect known fraud and error risks?
 - Is the expected cost and impact of each control understood?
- Implement:
 - Are processes in place to ensure that controls are implemented as designed?
 - Does the organisation have quality checks in place to detect and correct implementation issues?
 - Are individual resourcing decisions made with an understanding of the cost and impact on the risks of fraud and error?
- Measure:
 - Are levels of fraud and error properly measured using estimation techniques?
 - Is the estimate appropriately reported, including benchmarking where appropriate?
 - Are other relevant measurements or key performance indicators captured that supplement the overall estimate?
 - Are individual controls separately measured?
- Evaluate:
 - Are controls evaluated to review how risks are being tackled and to identify new and emerging risks?
 - Are controls evaluated against each other to assess the cost-effectiveness of different methods for tackling fraud and error?

- Has the organisation demonstrated that it is doing all it can to achieve a cost-effective level of fraud and error?

Scope

The review will consider both Government and Non-Ministerial Departments within the States of Jersey.

The review will not consider policies and procedures within States controlled and States established entities.

The review will include consideration of how the States are implementing relevant recommendations made in the following reviews:

- *Anti-Corruption Arrangements* (January 2021)
- *Government Support to Business during the COVID-19 pandemic - co-funded payroll scheme* (November 2021); and
- *Government Support to Business during the COVID-19 pandemic - other schemes* (November 2021).

Approach

The review will commence with an initial documentation request. The findings of the document review will be followed up by interviews with key officers and potentially with other stakeholders.

The fieldwork will include specific reviews of key fraud and error risk areas including (but not restricted to):

- Social Security Benefits
- Revenue Jersey
- Jersey Customs and Immigration; and
- State Pensions.

In respect of tax revenues, the review will include consideration of tax evasion and uncollected tax risks.

Fieldwork will take place in phases. The first phase will commence in June 2023 and will evaluate the design of the overall updated arrangements being put in place by the States of Jersey to tackle fraud, error and corruption risks. It will also evaluate the robustness of procedures in place that are not planned to change. The second phase will take place in 2024 and will evaluate the robustness of the updated arrangements in practice.

The detailed work will be undertaken by an affiliate engaged by the C&AG.



JERSEY AUDIT OFFICE

LYNN PAMMENT

Comptroller and Auditor General

Jersey Audit Office, de Carteret House, 7 Castle Street, St Helier, Jersey JE2 3BT
T: +44 1534 716800 E: enquiries@jerseyauditoffice.je W: www.jerseyauditoffice.je