



AGENDA ITEM: 9

AUDIT AND GOVERNANCE COMMITTEE:

25 September 2012

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: REVIEW OF FRAUD, BRIBERY AND CORRUPTION ISSUES

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary of the fraud, bribery and corruption issues facing the Council and the action being taken to deal with them.

2.0 RECOMMENDATIONS

2.1 That the updated Anti Fraud, Bribery and Corruption Policy as set out in Appendix 1 be endorsed for agreement under delegated authority.

2.2 That the self assessment of Fraud and Corruption issues as set out in Appendix 2 be noted.

2.3 That the Counter Fraud Plan as set out in Appendix 3 be endorsed.

3.0 BACKGROUND

3.1 It is important to recognise that fraud and corruption is a corporate issue that can affect all Council services. It can be internal to the Council (for example Members making fraudulent expenses claims, or staff claiming to have qualifications that they do not possess) or external (for example the illegal sub letting of Council housing or fraudulent claims for benefit).

3.2 Incidents of fraud and corruption in local authorities have increased nationally because of the recession. This is because economic distress can increase the

incentive to commit fraud, and controls to prevent and detect fraud come under pressure as Councils must reduce their costs.

- 3.3 To respond to this position, the Council's counter fraud, bribery and corruption arrangements are regularly reviewed to ensure that they remain adequate and that they comply with developments in best practice. This report now provides an update on the work that has been undertaken since the last report to Audit and Governance Committee in April 2011.

4.0 UPDATED ANTI FRAUD, BRIBERY AND CORRUPTION POLICY

- 4.1 The Anti Fraud and Corruption Policy was last reviewed and updated in early 2011. Since that time a new Bribery Act has come into force and consequently the policy now needs updating. To reflect this change the policy has also been renamed to the Anti Fraud, Bribery and Corruption Policy.
- 4.2 Under the Bribery Act, the crime of bribery occurs when a person offers, gives or promises to give a "financial or other advantage" to another individual in exchange for "improperly" performing a "relevant function or activity". The Act also covers the offence of being bribed, which is defined as requesting, accepting or agreeing to accept such an advantage, in exchange for improperly performing such a function or activity.
- 4.3 A tracked changes version of the proposed new policy is included in Appendix 1. In addition to the changes required by the new Bribery Act, a number of other more minor amendments have been made to reflect changes in the Council's structure and to improve the readability of the policy. Members are now asked to consider and endorse its contents.
- 4.4 There is a delegation in place for the Treasurer to update and amend the Policy in consultation with the Portfolio Holder for Resources and Transformation. Consequently following Audit and Governance endorsement, the Treasurer will discuss and finalise the new Policy with the Portfolio Holder. Given the importance of this matter, I will then circulate the updated policy to all staff and Members.

5.0 FIGHTING FRAUD LOCALLY

- 5.1 In April 2012 "Fighting Fraud Locally" was published, which is a counter fraud strategy developed by Local Government for Local Government. This strategy is underpinned by three principles:
- Acknowledge – acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti fraud response
 - Prevent – preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti fraud culture
 - Pursue – punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement

response

- 5.2 This strategy highlights that no local authority is immune from fraud and that acknowledging this fact is the most important part in developing an appropriate and effective anti fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses. This can then enable a robust and proportionate fraud response to be developed. The recommendations in this strategy will need to be considered as the Council reviews and updates its policies, procedures and plans.

6.0 REVIEW OF CURRENT ARRANGEMENTS

- 6.1 In November 2011 the Audit Commission published a report entitled “Protecting the Public Purse 2011”. This is the latest in the Protecting the Public Purse series of reports that have been published in recent years, and details of which have been previously reported to this Committee. This document contains a self assessment checklist for Councils to evaluate their current arrangements on fraud and corruption particularly in the light of the recession.
- 6.2 This checklist has been reviewed and completed following discussions with relevant officers and is included in Appendix 2. In general managers feel that there are satisfactory arrangements in place to deal with fraud, bribery and corruption issues and no significant weaknesses have been identified.
- 6.3 Over the previous 12 months there were 47 cases of potential benefit fraud identified, which resulted in 21 prosecutions all of which resulted in a guilty outcome. None of these cases involved staff or elected Members. Benefit fraud is a high risk area for all local authorities, and there is a dedicated Benefit Fraud team in place that deal with these issues. There were no other cases of fraud, bribery or corruption that were identified across the Council.
- 6.4 Consequently it can be concluded that the Council’s anti fraud and corruption arrangements remain appropriate and fit for purpose. However, the Council cannot be complacent and this position will be kept under review. Managers will do their utmost to ensure that these issues are tackled as effectively as possible within the resources available.

7.0 COUNTER FRAUD PLAN

- 7.1 Best practice guidance states that Councils should have a Counter Fraud plan in place. This plan should be based on a robust fraud risk assessment focused on areas where there is a high risk of fraud.
- 7.2 The latest Counter Fraud plan is set out in Appendix 3 and summarises the existing work programmes of different service areas as well as identifying significant new areas of work. Members are asked to consider and endorse this Plan.
- 7.3 A significant change that will be taking place next year will be the creation of a new Single Fraud Investigation Service (SFIS) by the Government. Currently,

local authorities are responsible for investigating fraud in relation to Housing and Council Tax Benefit and Central Government departments such as the DWP investigate fraud in relation to other welfare benefits. From April 2013 the Government plan to introduce a single, merged fraud investigation service for all benefit and tax credit claims. This new SFIS is intended to bring together the combined expertise of these different parties and to enable a more integrated approach to tackling fraud for all types of welfare benefit to be put in place. Under these plans though, local authority benefit investigators will continue to be employed by the Council.

8.0 RISK ASSESSMENT

- 8.1 At times of recession there is the possibility that levels of fraud and corruption can increase and consequently it is important that the Council monitors and reviews its internal control arrangements for these areas. The measures set out in this report will help to ensure that the Council has an effective anti fraud, bribery and corruption framework in place.

Background Documents

Fighting Fraud Locally – The Local Government Fraud Strategy

Available at the following web address:

<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-locally-strategy/strategy-document?view=Binary>

Protecting the Public Purse 2011

Available at the following web address:

<http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/Pages/ppp2011.aspx>

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 – Anti Fraud, Bribery and Corruption Policy

Appendix 2 – Self Assessment Checklist

Appendix 3 – Counter Fraud Plan