



AGENDA ITEM: 9

**AUDIT AND GOVERNANCE COMMITTEE:
24 September 2013**

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 self assessment of Fraud and Corruption issues as set out in Appendix 1 be noted.

2.2 That the Counter Fraud Plan as set out in Appendix 2 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 staff making fraudulent expenses claims or 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 It is also important to monitor and respond to new fraud and corruption issues that are highlighted by recent developments and to take a proactive response to dealing with them.

3.3 Incidents of fraud and corruption in local authorities have increased nationally largely due to the financial climate. 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.

- 3.4 Fraud in local government accounts for around 11% of total public sector fraud. In 2012 there was an estimated £900 million in housing tenancy fraud, £890 million in procurement fraud, over £153 million in payroll fraud, £131 million in council tax discounts and exemptions fraud, £46 million in 'blue badge' fraud, £41 million in grant fraud and £5.9 million in pension fraud across local government.
- 3.5 To deal with this threat, 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 September 2012.

4.0 CORPORATE APPROACH

4.1 The Council's approach follows the three principles detailed in the Counter fraud strategy "Fighting Fraud Locally" developed for Local Government:

- 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 fraud by making better use of information and technology, enhancing fraud controls and processes and maintaining an 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 collaborative and supportive law enforcement response

4.2 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.

4.3 Publicity is also a key tool in tackling fraud and the Council is dedicated to publicising all frauds to create a strong deterrent effect and to encourage the reporting of fraud.

5.0 REVIEW OF CURRENT ARRANGEMENTS

5.1 The Council's Anti-Fraud, Corruption and Bribery policy was last updated in September 2012. This policy has been recently reviewed and found to be up to date and consequently no changes are required to it.

5.2 An updated Benefit fraud sanctions and prosecutions policy has recently been presented to Cabinet. This takes into account the changes brought about from the 2012 Welfare Reform Act and revisions include; technical changes to administrative penalties, changes permitting a fixed administrative penalty of £350, reducing the time an individual has to withdraw their agreement to pay a penalty and including the permissive power to apply a £50 civil penalty to non-fraud matters i.e. negligent actions. This brings the policy in line with DWP recommendations and ensures actions are robust in tackling benefit fraud.

- 5.3 In 2012 the Audit Commission published its latest version of the report entitled "Protecting the Public Purse" 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 economic climate. It also includes a section on emerging fraud risks and new areas that require vigilance.
- 5.4 This checklist has been reviewed and completed following discussions with relevant officers and is included in Appendix 1. 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.
- 5.5 Over the previous 12 months there were 47 cases of potential benefit fraud identified, totalling £316,604, which resulted in 11 Administrative penalties, 11 cautions and 25 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.
- 5.6 Consequently it can be concluded that the Council's anti fraud and corruption arrangements remain appropriate and fit for purpose. However, the Council is not 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.

6.0 COUNTER FRAUD PLAN

- 6.1 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.
- 6.2 The latest Counter Fraud plan is set out in Appendix 2 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.
- 6.3 Alongside the introduction of Universal Credit the Government is creating a Single Fraud Investigation Service. The Government's stated aims in this regard are to:
- Bring together the combined expertise of the welfare benefit fraud investigation work undertaken by the Department for Work and Pensions Fraud Investigations Service, Local Authority Benefit fraud investigators and Her Majesty's Revenues and Customs into a single service
 - Minimise and prevent fraud and error getting into the benefit system through detection and correction together with punishing and deterring those who have committed fraud
- 6.4 The creation of SFIS provides an opportunity to strengthen the local fight against fraud with SFIS using its expertise to support local authorities to tackle organised

and cross boundary fraud. Under these plans local authority benefit investigators will still continue to be employed by the Council and the SFIS will not investigate Council tax support, social housing fraud or other corporate frauds. Prevention and detection in these areas will remain at a local level.

7.0 RISK ASSESSMENT

- 7.1 In the current financial climate 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 2012

Available at the following web address:

<http://www.audit-commission.gov.uk/wp-content/uploads/2012/11/20121107-ppp2012.pdf>

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 – Self Assessment Checklist

Appendix 2 – Counter Fraud Plan