



AGENDA ITEM: 9

AUDIT AND GOVERNANCE COMMITTEE:

23 September 2014

Report of: Borough Treasurer

Relevant Managing Director: People and Places

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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 The Council has always taken a proactive and steadfast approach to tackling fraud and corruption issues. The importance and profile of this issue has increased in recent years though as a result of the difficult financial climate and reductions in Council funding. This has had a double impact because economic distress can increase the incentive to commit fraud, and at the same time controls to prevent and detect fraud have come under pressure as Councils must reduce their costs as a result of funding reductions. In response to this situation the Audit Commission have published a series of reports entitled "Protecting the Public Purse", which have outline the types of fraud affecting local government and the financial impact they can have.

- 3.2 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.
- 3.3 The types of fraud experienced by local authorities demonstrates the breadth of services potentially affected and the need for all service areas to remain vigilant and respond proactively to new emerging fraud and corruption issues. Fraud can also either 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).
- 3.4 In response to this requirement to remain vigilant, 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 these arrangements.

4.0 CORPORATE APPROACH

- 4.1 The Council's approach follows the three principles detailed in the Counter fraud strategy "Fighting Fraud Locally" developed by Local Government 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 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
- 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.
- 4.4 Current potential 'scams' are also regularly circulated to relevant staff to ensure vigilance to bogus claims or transactions. For example, it is well documented that fraudulent companies are regularly targeting local authorities to alter supplier bank account details, so payments are made into the fraudster's bank account

rather than the supplier's account. The Creditor's section is made aware of current issues and remains vigilant to this potential fraud.

4.5 The Council participates in the data matching National Fraud Initiative every year and makes full use of its membership with the National Anti-Fraud Network. The Audit Commission's annual fraud survey is also completed each year, which helps to assist with gauging the overall national levels of fraud in local government.

4.6 Alongside the imminent introduction of Universal Credit the Government is creating a Single Fraud Investigation Service (SFIS) which will have an impact on all Councils. 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 Investigation 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

4.7 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 some local authority benefit investigators may transfer to the new organisation but 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.

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 was reviewed this year to confirm it is still up-to-date with no changes required.

5.2 Over the previous 12 months there were 42 cases of potential benefit fraud identified, totalling £406,907. 30 led to a prosecution with 23 resulting in a guilty outcome. There were also 2 cases of Council Tax Support fraud totalling £371. 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.

5.3 The Audit Commission's "Protecting the Public Purse" contains a self assessment checklist for Councils to evaluate their current arrangements on fraud and corruption. This has been presented to this Committee over the last few years and the latest version 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.

- 5.4 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. The latest Counter Fraud plan is set out in Appendix 2 and summarises the existing work programmes of different service areas. Significant new initiatives that have taken place this year include the Lancashire wide Council Tax Single Person Discount data matching exercise, and the planned structured programme to review other Council Tax discounts and exemptions. Members are now asked to consider and endorse this Plan.
- 5.5 Taking into account all of these factors 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 the 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 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 6.1 This report supports the Council's commitment to combat crime and the fear of crime by promoting the inclusion of measures to deter, prevent and detect fraud in the design of its own systems and those of its partners and contractors.

7.0 RISK ASSESSMENT

- 7.1 It is important that the Council monitors and reviews its internal control arrangements for preventing fraud and corruption, particularly in the current difficult financial climate. The measures set out in this report will help to ensure that the Council continues to have 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

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