



## **AGENDA ITEM: 8**

**AUDIT AND GOVERNANCE COMMITTEE:**

**29 September 2015**

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**Report of: Borough Treasurer**

**Relevant Managing Director: Managing Director (People and Places)**

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**SUBJECT: REVIEW OF FRAUD, BRIBERY AND CORRUPTION ISSUES**

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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.

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### **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.

3.2 The types of fraud experienced by local authorities – which include benefits, housing tenancy, payroll, procurement, council tax discounts etc - demonstrate 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).

- 3.3 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, now undertaken by TEICCAF (The European Institute for Combating Corruption and Fraud) is also completed each year, which helps to assist with gauging the overall national levels of fraud in local government.

## **5.0 FRAUD DEVELOPMENTS**

- 5.1 Professional counter fraud bodies, institutes and other concerned stakeholders from across the public and private sector, including the former Counter Fraud Team of the Audit Commission, have come together to form TEICCAF. TEICCAF is an umbrella organisation for public and voluntary sector organisations, counter fraud professionals, professional bodies and private sector firms.
- 5.2 The Audit Commission was responsible for producing a yearly document called “Protecting the Public Purse” commenting on current fraud risks facing local government and also containing a self-assessment checklist for Councils to evaluate their current arrangements on fraud and corruption. TEICCAF have confirmed that they will continue to provide a similar document each year with the 2015 version just released this summer entitled ‘Protecting the English Public Purse’.
- 5.3 The Government has now created a Single Fraud Investigation Service (SFIS) which aims 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
- 5.4 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 this initiative the Council’s Benefit Fraud team has been transferred to the new organisation to continue to investigate housing benefit fraud. The responsibility to investigate Council tax support fraud will remain with the Council, and new arrangements have been put into place for this purpose, which will be monitored over the next 12 months to ensure that they continue to be effective.
- 5.5 In 2014 CIPFA launched its Counter Fraud Centre to help fight fraud across local and central Government by providing tools and training for counter fraud staff. A global risk register is also under development aimed at collating the most common fraud risks faced by public bodies which will help identify emerging fraud threats and strategies to combat them. Current significant risk areas include Housing tenancy fraud, Procurement fraud and Right to buy fraud.

## **6.0 REVIEW OF CURRENT ARRANGEMENTS**

- 6.1 The Council’s Anti-fraud, Corruption and Bribery policy was last updated in September 2012. This policy has been reviewed this year to confirm it is still up-to-date and that no changes are required to be made.

- 6.2 Over the previous 12 months there were 45 cases of potential benefit fraud identified, totalling £145,581. There were no other cases of fraud, bribery or corruption that were identified across the Council.
- 6.3 The 'Protecting the public purse' fraud self-assessment checklist is completed each year 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.
- 6.4 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. Members are now asked to consider and endorse this Plan.
- 6.5 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.

## **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.

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### **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://webarchive.nationalarchives.gov.uk/20150421134146/http://www.audit-commission.gov.uk/2014/10/highest-value-of-fraud-detected-by-councils-since-audit-commission-turned-the-spotlight-on-25-years-ago/>

CIPFA Counter Fraud Centre

Available at the following web address:

[Counter Fraud Centre | CIPFA](#)

TEICCAF

Available at the following web address:

[TEICCAF | The European Institute for Combatting Corruption And Fraud](#)

### **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 – Fraud Self-Assessment Checklist

Appendix 2 – Counter Fraud Plan