

Report for Information

Report to Audit Committee
26 October 2010
Report of Audit Manager
Subject Fraud and Corruption Survey 2009/10

11

Purpose

To review the council's response to the Audit Commission's fraud and corruption survey 2009/10.

Recommendations

Members are asked to note the report.

Financial Consequences

There are no direct financial consequences arising from this report.

Risk Management

The Audit Commission uses the data from the surveys to provide a summary of current and emerging fraud risks in the public sector. For councils there is the potential for using the results to inform strategic decision making about the scale, threat and impact of public sector fraud.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority "One council:

- customer focus – putting customers at the heart of everything we do;
- continuous improvement of our services; and
- cost conscious – efficient and effective service delivery

Contact Officers

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Background Documents

Report

Background

1. In November 2009, following the publication of Protecting the Public Purse, the Audit Commission reintroduced an annual fraud survey collecting data on frauds and any acts of corruption in local government and related bodies. The first survey covered the 2008/09 financial year.
2. The Commission needs the data to:
 - inform the forthcoming publication of Protecting the Public Purse 2010;
 - provide a summary of current and emerging fraud risks in the public sector;
 - inform the National Fraud Authority's annual assessment of the total value of fraud in the UK.
3. Although the 2008/09 survey received a good response it fell short of the 100% submission that the Commission believe is essential to provide detailed analysis. As a result, the Commission decided to require submission of the information under section 48 of the Audit Commission Act 1998.
4. Norwich City Council participated in both the 2008/09 and 2009/10 surveys.
5. Responding to the survey is by way of a website portal, but a copy of our submission is attached at **annex 1** for members' information and review.

Summary of survey submission

6. All the reported incidences of fraud related to housing and council tax benefit, including seven cases where the reported fraud value was over £10,000 (see Q.18 of annex 1). No cases of corruption were reported.
7. It is important to remember that the survey asks for detected incidents of fraud or corruption where *'an officer with management authorisation has determined that on the balance of probabilities a fraud or act of corruption has occurred'*, and where *'management authorised action has been taken including, disciplinary action, civil action or criminal prosecution.'*
8. We were not able to give a positive response to the section on counter fraud and corruption activity (Q.25) because various initiatives were not in place for the whole of 2009/10. There will be a more positive response for 2010/11.

Conclusion

9. The results of the survey will be used to inform the council's risk assessment for fraud and corruption and subsequent counter fraud plans and activity, which will be reported to audit committee.

Reference documents

Audit Commission – Protecting the Public Purse

Fraud and corruption survey 2009/10

Protecting the Public Purse - 2010 Audit Commission Survey Section 48 Audit Commission Act 1998 - Request for Information

In November 2009 following the publication of Protecting the Public Purse the Audit Commission reintroduced an annual fraud survey collecting data on frauds and any acts of corruption in local government and related bodies. The first survey covered the 2008/09 financial year. The Commission will publish the results of the survey later this year together with the data for the 2009/10 financial year that we are now asking you to submit by following the link shown below. The Commission's Board has decided that providing this information is a requirement under section 48 of the Audit Commission Act 1998.

The Commission needs the data to:

- inform the forthcoming publication of Protecting the Public Purse 2010;
- provide a summary of current and emerging fraud risks in the public sector; and
- inform the National Fraud Authority's annual assessment of the total value of fraud in the UK.

The feedback from local authority contacts on our first survey show there is strong support for the survey and the potential for using the results to inform strategic decision making about the scale, threat and impact of public sector fraud.

The new fraud categories introduced within the survey were welcomed. However, some authorities told us that they were not were not collecting the required data across all the fraud categories but would do so in future.

The 2008/09 fraud survey achieved a 62% response rate which enables the Commission to provide an accurate assessment of the total fraud figure for local government. However, more detailed analysis – for example, by region or fraud type – is not possible given the random nature of some fraud types.

Although the 2008/09 survey received a good response it fell short of the 100% submission that we believe is essential to provide detailed analysis. As a result, the Commission decided to require submission of the information under section 48 of the Audit Commission Act 1998.

I hope you will not view this formal requirement as a negative step. The Commission is committed to working together with all public bodies to reduce fraud losses to the public purse.

If you would prefer to receive this survey in an alternative format for accessibility purposes please contact Duncan Warmington at fraud-survey@audit-commission.gov.uk

Thank you for taking the time to complete this survey and supporting the national fight against fraud and corruption.

Regards

Chief Executive

This is the survey for Norwich City Council

This survey covers fraud detected in the financial year ended 31 March 2010.

Please complete and return this survey by 30 June 2010.

(N.B. Web survey completed 14 June 2010)

Completing the survey

Queries

If you have a query or experience difficulty with the language or content of this survey, please contact:

Duncan Warmington, Technical Specialist-Counter Fraud, on fraud-survey@audit-commission.gov.uk or 0844 798 2271

We will ask further questions about detected frauds, including the number and the value. You may find it useful to have this information ready before continuing.

PLEASE NOTE - Please answer ALL the questions. If you did not have any cases state 0, but if you do not record or keep this information please enter NR (Not Recorded)

Glossary

FINANCIAL YEAR

This survey covers fraud detected in the financial year ended 31 March 2010.

FRAUD

For the purposes of this survey we define fraud as:

‘An intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where management authorised action has been taken including, disciplinary action, civil action or criminal prosecution.’

CORRUPTION

For the purposes of this survey we define corruption as:

‘The offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the audited body, its councillors or officers.’

We will use the information from this survey for research, to inform future reports, and develop and spread best practice on counter fraud and corruption activities.

DETECTED INCIDENTS

The statistics we are trying to establish are those based on facts. The survey, therefore, collects only detected incidents of fraud and corruption. We define a detected incident to be:

‘Where action has been taken following an investigation or enquires, and as a result an officer with management authorisation has determined that on the balance of probabilities a fraud or act of corruption has occurred. Action could include, but not limited to, the stopping of an entitlement, the raising of a debt or overpayment, prosecution, dismissal or some form of internal disciplinary action’

VALUE

For the purposes of this survey the value of fraud is based on the balance of probability which is the evidential standard used in civil court cases. For this survey civil debt recovery need not have taken place, but the consideration of recovery is possible. The balance of probability is defined as: ‘It is more likely than not that fraud has occurred for the financial amounts and duration the information at hand tends to confirm.’

COUNCILLORS

We use the term 'Councillor' to mean all elected and appointed persons on local government councils, police authorities, fire and rescue authorities, probation boards, and school governing bodies.

EMPLOYEES

We use the term 'Employees' to mean all staff that fall under a remit of the public body. This includes for example, police officers, support officers, fire fighters, temporary and contract personnel.

TENANCY FRAUD / BLUE BADGE / RECRUITMENT

For tenancy fraud, disabled parking concessions (Blue Badge) and recruitment we do not require a value figure because of the complexity involved in determining a correct amount. Therefore, a standard value will be applied to each reported case.

NATIONAL FRAUD AUTHORITY

We will pass elements of collated information from the survey to the National Fraud Authority (NFA). The NFA will use the data to develop understanding of the national picture of fraud and to design national counter fraud strategies.

PLEASE NOTE - Please answer ALL the questions. If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Public body information

Q1.1 Your details

Name of public body Norwich City Council

Name of 151 Officer / Chief Financial Officer? Barry Marshall

Name of person completing the survey? Steve Dowson

Position of person completing the survey? Audit Manager

Telephone number of person completing the survey? 01603 212575

Email address of person completing the survey? stevedowson@norwich.gov.uk

Organisation type

Local government

Housing benefit (HB) and council tax benefit (CTB) fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q2.1 HB and CTB fraud

Number of cases 168

Value (£'s) 376,552.42

Q2.2 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q2.3 If yes, please complete the two boxes below

Number of cases -

Value (£'s) -

Housing fraud non benefit

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q3.1 Provide the number of properties in your housing stock, both directly managed and via arms length management organisations (ALMOs)

Number of properties 15,769

Q3.2 Tenancy sub letting fraud - (*Where a tenant lets part, or all, of their home to somebody else contrary to the tenancy agreement*)

Number of cases 0

Q3.3 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q3.4 If yes, please complete the box below

Number of cases -

Q3.5 Tenancy fraud other - (*This could include issues such as fraudulent application or succession*)

Number of cases 0

Q3.6 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q3.7 If yes, please complete the box below

Number of cases -

Q3.8 Right to buy - (*The value of the discount given should be recorded for any 'Right to buy' frauds*)

Number of cases 0

Value (£'s) -

Q3.9 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q3.10 If yes, please complete the box below

Number of cases -

Value (£'s) -

Q3.11 Do you assist other registered social landlords in your area in combating tenancy fraud?

Yes

~~No~~

If so, please provide details: As part of the national sub-letting initiative we invited 8 RSLs to a presentation to make them aware and invite them to participate. Two attended, and one has subsequently agreed to join in with a data matching exercise, although results will not be known until 2010/11.

Council tax fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q4.1 Council tax single person discount (SPD) fraud - (The total value, including previous years, of council tax owed when a decision during the year determined that the liable person was not entitled to a SPD)

Number of cases 0

Value (£'s) -

Q4.2 Did any of these cases above involve employees or councillors?~~Yes~~

No

Q4.3 If yes, please complete the two boxes below

Number of cases -

Value (£'s) -

Q4.4 Council tax other discounts and entitlements

Number of cases -

Value (£'s) -

Q4.5 Did any of these cases above involve employees or councillors?~~Yes~~

No

Q4.6 If yes, please complete the two boxes below

Number of cases -

Value (£'s) -

National non domestic rates (NNDR) fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q5.1 National non domestic rates (NNDR) fraud - (Any fraud linked to the avoidance of paying NNDR. This could include, but not limited to, false company details, failure to declare occupation, payment using false bank details)

Number of cases 0

Value (£'s)	-
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Q5.2 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q5.3 If yes, please complete the two boxes below

Number of cases	-
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Value (£'s)	-
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Procurement fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q6.1 Procurement fraud - (Any fraud linked to the procurement of goods and services for the organisation either by internal or external persons or companies. This could include, but not limited to, violation of procedures, manipulation of accounts, records or methods of payment, failure to supply, failure to supply to contractual standard)

Number of cases	0
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Value (£'s)	-
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Q6.2 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q6.3 If yes, please complete the two boxes below

Number of cases	-
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Value (£'s)	-
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Fraudulent insurance claims

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q7.1 Fraudulent insurance claims - (Any insurance claim against your organisation or your organisation's insurers that proves to be false)

Number of cases	0
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Value (£'s)	-
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Q7.2 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q7.3 If yes, please complete the two boxes below

Number of cases	-
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Value (£'s)	-
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Social services fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q8.1 Social services fraud - (Any fraud linked to social services provision. This could include, but not limited to, payments to contractors for house modifications, personalised budgets for the purchase of care, failing to declare capital and assets, care provision by contractors or a non governmental organisation)

Number of cases

Value (£'s)

Q8.2 Did any of these cases above involve employees or councillors?

Yes

No

Q8.3 If yes, please complete the two boxes below

Number of cases

Value (£'s)

Economic and third sector support fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q9.1 Economic and third sector support fraud - *(Any fraud that involves the payment of grants, loans or any financial support to any private individual or company, charity, or non governmental organisation. This could include, but not limited to, grants paid to landlords for property regeneration, donations to local sports clubs, loans or grants made to a charity)*

Number of cases 0

Value (£'s) -

Q9.2 Did any of these cases above involve employees or councillors?~~Yes~~

No

Q9.3 If yes, please complete the two boxes below

Number of cases -

Value (£'s) -

Debt fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q10.1 Debt fraud - *(Any fraud linked to the avoidance of a debt to the organisation. This could include, but not limited to, council tax liabilities (do not include SPD from question 4.1), rent arrears, false declarations, false instruments of payment or documentation)*

Number of cases 0

Value (£'s) -

Q10.2 Did any of these cases above involve employees or councillors?~~Yes~~

No

Q10.3 If yes, please complete the two boxes below

Number of cases -

Value (£'s) -

Pensions fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q11.1 Pensions fraud - (Any fraud relating to pension payments; this could include, but not limited to, failure to declare changes of circumstances, false documentation or continued payment acceptance after the death of the pensioner)

Number of
cases

Value (£'s)

Q11.2 Did any of these cases above involve employees or councillors?

Yes

No

Q11.3 If yes, please complete the two boxes below

Number of cases

Value (£'s)

Investment fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q12.1 Investment fraud - (Any fraud involving investments; this could include, but not limited to, the fraudulent misappropriation of assets or loss through breach of procedures)

Number of cases 0

Value (£'s) -

Q12.2 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q12.3 If yes, please complete the two boxes below

Number of
cases -

Value (£'s) -

Payroll and employee contract fulfilment fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q13.1 Payroll and employee contract fulfilment fraud - (This could include, but not limited to, the creation of non existent employees, unauthorised incremental increases, the redirection or manipulation of payments, false sick claims, not working required hours, or not undertaking required duties)

Number of
cases 0

Value (£'s) -

Expenses fraud

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q14.1 Employee expenses fraud - (Any fraud linked to expenses claims. This could include, but not limited to, false declarations of mileage, false documentation to support allowances, breaches of authorisation and payment procedures)

Number of cases	0
Value (£'s)	-

Q14.2 Councillor expenses fraud - (Any fraud linked to expenses claims. This could include, but not limited to, false declarations of mileage, false documentation to support allowances, breaches of authorisation and payment procedures)

Number of cases	0
Value (£'s)	-

Abuse of position

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q15.1 Abuse of position for financial gain - (This could include frauds not reported elsewhere. The financial gain could be for the fraudster or other including, but not limited to, the misappropriation or distribution of funds by someone taking advantage of their position such as payments officers, bursars or finance managers; or fraudulently securing a job for a friend or relative)

Number of cases	0
Value (£'s)	-

Q15.2 Manipulation of financial or non financial data - (This could include, but not limited to, the falsifying of statistics to ensure performance targets are met or the adjustment of accounts to remain within set financial limits for the benefit of an individual or the organisation)

Number of cases	0
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Other

Q16.1 Other

Please specify here

Number of cases	0
Value (£'s)	-

Q16.2 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q16.3 If yes, please complete the two boxes below

Number of cases	-
Value (£'s)	-

How many detected incidents of the following did you have?

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q17.1 Disabled parking concessions (Blue Badge) - *(This could include false representation, or renewal after legitimate holder has died)*

Number of
cases

Q17.2 Did any of these cases above involve employees or councillors?

Yes
No

Q17.3 If yes, please complete the box below

Number of
cases

Q17.4 Recruitment fraud - *(Recruitment fraud involves any applications, including attempts, to gain employment or subsequently where any of the details prove to be false. This could include, but not limited to, false identity, immigration (no right to work or reside), false qualifications, false CV)*

Number of 0
cases

AF70 fraud reporting

External auditors are required to report to the Audit Commission all frauds over £10,000 and all incidents of corruption within the audited body - these reports are called AF70s

Q18.1 Of all the fraud cases you have reported, in how many cases did the fraud value amount to over £10,000?

Number of 7
cases

Q18.2 Not included in figures elsewhere, how many incidents of corruption did you have involving a councillor?

Number of 0
cases

Q18.3 Not included in figures elsewhere, how many incidents of corruption did you have involving an employee?

Number of 0
cases

Emerging risks

Q19.1 What emerging risk areas for fraud or corruption did you identify during 2009/10?

Use of corporate credit cards

HB/CTB prosecutions

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q20.1 How many people did you prosecute for HB/CTB fraud? (first court hearing in 2009/10)

Number of 44
people

Q20.2 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q20.3 If yes, please complete the box below

Number of -
cases

Q20.4 How many HB/CTB prosecutions resulted in a guilty outcome? (sentenced in 2009/10)

Number of 42
cases

Q20.5 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q20.6 If yes, please complete the box below

Number of -
cases

Fraud prosecutions (excluding benefit fraud)

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q21.1 How many people did you prosecute for fraud? (first court hearing in 2009/10)

Number of 0
people

Q21.2 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q21.3 If yes, please complete the box below

Number of -
cases

Q21.4 How many prosecutions resulted in a guilty outcome? (sentenced in 2009/10)

Number of -
cases

Q21.5 Did any of these cases above involve employees or councillors?

~~Yes~~

No

Q21.6 If yes, please complete the box below

Number of -
cases

Corruption prosecutions

If you did not have any cases state 0, but if you do not record or keep this information please leave blank

Q22.1 How many people did you prosecute for corruption? (first court hearing in 2009/10)

Number of people 0

Q22.2 How many corruption prosecutions resulted in a guilty outcome? (sentenced in 2009/10)

Number of cases -

Fidelity guarantee insurance

If you did not have any cases state 0, but if you do not record or keep this information please enter NR (Not Recorded)

Q23.1 Have you made any claims under your Fidelity guarantee insurance?

~~Yes~~

No

Q23.2 How many claims were made under your Fidelity guarantee insurance?

Number of cases -

Value (£'s) -

Q23.3 Of these how many were successful?

Number of cases -

Value (£'s) -

Audit committee

Q24.1 Do you have an audit committee?

Yes

~~No~~

Q24.2 Which of the following best describes your audit committee?

A stand-alone audit committee

~~A wider committee that includes some or all of the functions of an audit committee~~

Counter fraud and corruption activity

Q25.1 Do you have a dedicated counter fraud and corruption resource?

~~Yes~~

No

Q25.2 Do you undertake an annual assessment of corporate fraud and corruption risk?

~~Yes~~

No

Q25.3 Do you have a counter fraud and corruption plan?

~~Yes~~

No

Q25.4 Is this plan approved by councillors?

~~Yes~~

No

Q25.5 Do you produce an annual report on counter fraud and corruption activity and performance?

~~Yes~~

No

Q25.6 Is this annual report submitted to councillors?

~~Yes~~

No

Q25.7 Is this annual report made public?

~~Yes~~

No

Anti money laundering (AML) policy

Q26.1 Do you have an AML policy?

~~Yes~~

No

Q26.2 Do you take active steps each year to raise awareness of this policy?

~~Yes~~

No

Whistleblowing policy

Q27.1 Do you have a whistleblowing policy?

Yes

~~No~~

Q27.2 Do you take active steps each year to raise awareness of this policy?

Yes

~~No~~

Q27.3 How many whistleblowing disclosures did you have?

Number of disclosures 4

Best practice

Q28.1 If you have any examples of counter fraud or corruption activity that you consider to be best practice please provide details

Comments

If you would like to comment on the Audit Commission fraud and corruption survey please do so here.

Thank you for taking the time to complete this survey.