

Report for Information

Report to Audit Committee
25 March 2010
Report of Head of Finance
Subject Fighting Fraud - Update

Item
8

Purpose

To update members with the measures being taken to counter the risk of fraud and to present for members' review an indicative counter fraud plan.

Recommendations

Members are asked to:

- (1) note the measures that the council is taking to counter the risk of fraud
- (2) review the indicative counter fraud plan.

Financial Consequences

There are no direct financial consequences arising from this report.

Risk Management

The risk of fraud is included in the council's strategic risk register and this report informs members of the actions the council is taking to increase the knowledge of fraud and help the council to mitigate the risk of fraud.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority "Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners."

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Background Documents

Report

Introduction

1. One of the Audit Committee's terms of reference is "to review and ensure the adequacy of the organisation's anti-fraud and corruption policy and strategy and the effectiveness of their application throughout the authority."
2. At your last meeting members discussed the Audit Commission's report 'Protecting the Public Purse', which aims to help councils tackle the risk of fraud. Within the report is a checklist for those charged with governance to assist them in ensuring that we have sound governance and counter-fraud arrangements that are working as intended.
3. Members resolved to complete the checklist, with the assistance of officers, in order to gauge the council's counter-fraud arrangements and any actions.
4. Under ISA 240 the Audit Commission formally asks those charged with governance about their knowledge of counter-fraud arrangements – this report and completion of the checklist should assist members with their response, which will probably be reported at your June meeting.
5. The report that follows is intended to bring members up to date with the measures being taken to counter the risk of fraud.

Anti-Fraud and Corruption Strategy and Whistleblowing Policy

6. The council's anti-fraud and corruption strategy and whistleblowing policy were revised and strengthened at the beginning of 2009, and are available on the intranet, council website and HR Workforce system. The policies have been promoted to staff via e-grapevine and managers' briefing sessions, and also to partners, suppliers and contractors, in order to make clear the council's zero tolerance to fraud. The anti-fraud strategy also makes reference to money laundering. Both policies will be reviewed in 2010/11 in line with best practice.
7. Separate whistleblowing guidance leaflets for employees and managers have also been printed and are in the process of being circulated. The whistleblowing policy also makes clear that members of the public can use it to report concerns. Currently the online reporting form is being revised to make it easier to report different types of fraud, and we are also investigating the use of a freephone hotline to replace the current number for reporting fraud. Allegations made under the whistleblowing policy are formally recorded and reported annually to the Audit Committee in summary form.
8. The council has a separate housing and council tax benefit anti-fraud strategy, which was also updated in 2009 and is available on the intranet and council website. The strategy is supported by the council's prosecution policy. Both policies will be reviewed in 2010/11.
9. All the above policies are concerned with prevention, detection, investigation and sanctions in relation to fraudulent activity by staff, members or the public.

Fraud Team

10. The council has a dedicated benefit fraud team, but its role has been gradually extended through 2009/10 to include work on other types of fraud, e.g. non-benefit matches from the National Fraud Initiative (NFI); unlawful sub-letting initiative. The council will use 'Protecting the Public Purse' to help assess the risk of fraud and devise a counter-fraud plan, which will be resourced by staff in internal audit and the fraud team.
11. All the fraud team staff have passed the foundation courses in Professionalism in Security (PINS). The team leader also holds the PINS Managerial certificate. Other training undertaken includes specialist areas like 'living together' investigations and a working knowledge of the Fraud Act 2006. One member of the team has been approved to train as an accredited Financial Investigator, which if successful will increase the council's ability to recover debts under the Proceeds of Crime Act.
12. The council's prosecution policy sets out a formal approach to investigations, including the legislation used and the sanctions available.
13. For some cases that result in prosecution we use various media to ensure that outcomes are publicised, eg Citizen, local press. Also, posters are prominently displayed to act as a deterrent (eg in the Customer Contact Area). Statistics show that the council's fraud team has a good track record of pursuing benefit cheats through the courts, and publicising this should act as a deterrent.
14. More detailed information about the fraud team and its performance is shown at Annex 1, together with details of the team's draft work plan for 2010/11.

National Fraud Initiative

15. The National Fraud Initiative (NFI) is a statutory national data matching exercise run by the Audit Commission.
16. Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency that requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.
17. Although the main data matching exercise is usually run every two years (next one in 2010), the Audit Commission sometimes runs extra exercises. For instance, information on council tax, housing rents and electoral register was requested in 2009 in order to address potential housing and council tax frauds.
18. The use of data by the Audit Commission in a data matching exercise is carried out with statutory authority under its powers in Part 2A of the Audit Commission Act 1998. It does not require the consent of the individuals concerned under the Data Protection Act 1998. The council publicises its participation in NFI via 'Citizen' and the council website. Our anti-fraud strategy also makes clear that we will exchange data with various bodies in relation to counter fraud activity.

19. Originally NFI was mainly concerned with identifying benefit fraud, but over the years it has expanded to include other areas such as council tax, rents, and payments. This has led to problems in resourcing the investigation of matches, although staff in the fraud team have been assisting, together with some outside resources. In order to maximise the effectiveness of our participation in NFI the Audit Commission has helped us to draft an action plan for 2010.
20. In future, information on NFI data matching exercises will be reported to Audit Committee, together with periodic summaries of the outcomes of investigations.

Counter Fraud Plan

21. As with the internal audit planning process (also on today's agenda), it is not possible to provide a final counter fraud plan at this stage, as the corporate planning process is not yet complete. Part of the process will be to develop departmental risk registers, which should include the risk of fraud for certain services. Until the registers are seen it is only possible to draft an indicative plan based on emerging risks, known frauds, guidance in 'Protecting the Public Purse' and results from NFI.
22. The draft counter fraud plan, together with comments, is shown at Annex 2. Members are asked to review the areas shown, bearing in mind that a final version will be brought back to a future meeting.

Conclusion

23. The council's counter fraud arrangements continue to develop and will be kept under review to ensure they are in line with best practice.
24. There have been no major frauds reported through the council's whistleblowing arrangements, and the only frauds in excess of £10,000 that have been reported to the Audit Commission have been in relation to benefit fraud.