

REPORT TO: Business Efficiency Board
DATE: 29 June 2011
REPORTING OFFICER: Strategic Director – Policy & Resources
SUBJECT: Counter Fraud Measures – Update
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to update the Board with details of:

- The measures that the Council has established to counter the risk of fraud;
- The counter-fraud activity undertaken in 2010/11;
- The response to the UK Bribery Act 2010;

2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the update on the Council's counter fraud activity and endorse the further developments proposed.

3.0 THE COUNCIL'S COUNTER FRAUD FRAMEWORK

3.1 The Council has a well-established framework of policies, procedures and functions that collectively help to manage the risk of fraud and corruption. Key elements of this framework include:

- The Anti-Fraud and Anti-Corruption Strategy;
- The Fraud Response Plan;
- The Confidential Reporting Code (Whistleblowing Policy);
- Standing Orders relating to Finance and Procurement;
- The Scheme of Delegation;
- Members' Code of Conduct;
- Employees' Code of Conduct;
- Registers of Interests;
- Registers of Gifts & Hospitality;
- The work of Internal Audit;
- The work of the Benefits Investigation Unit;
- Communication systems to raise awareness of the risk of fraud.

3.2 During 2010/11, a number of measures were undertaken to further develop the Council's counter fraud measures. These include:

- Fraud awareness training has been available via an on-line training facility, to all employees and Members. Further tailored training was delivered to 73 community care workers within Adult Services, specifically to raise awareness of the Council's Confidential Reporting Code (Whistleblowing Policy).
- Work started on developing continuous monitoring techniques to interrogate the Council's main systems. This will help to provide ongoing assurance on the operation of controls and assist in the detection of potential fraudulent activity.
- The Council has continued to benchmark its counter fraud arrangements against best practice. This has included an assessment against the CIPFA Fraud Risk Evaluation Diagnostic (FRED) and the Audit Commission's 'Checklist for those responsible for governance' (from the publication 'Protecting the Public Purse 2010: Fighting fraud against local government and local taxpayers'). The results indicate that the Council has robust measures in place to counter fraud.
- All internal audit reviews continue to assess the extent to which service managers have considered the risk of fraud in their area of activity and examine the measures established to minimise the risk of fraud.

4.0 BENEFITS INVESTIGATION UNIT

- 4.1 Nationally, the biggest risk of fraud facing local authorities is considered to be in respect of claims for Housing Benefit and Council Tax Benefit. The Council's Benefits Investigation Unit (BIU) therefore has an important role to play in the Council's overall counter fraud arrangements.
- 4.2 In 2010/11, the BIU continued to raise awareness of benefit fraud through a range of initiatives, which include:
- Publicising prosecution outcomes to the local press;
 - Delivering fraud awareness training;
 - Engaging in joint working with the Register Social Landlords (RSL) to identify non-residency and subletting fraud.
- 4.3 The BIU has also continued to work closely with the Department of Work and Pensions (DWP) Fraud Investigation Service and has successfully prosecuted 12 joint working cases together since April 2010. Council officers have also attended arrest/seize operations with the DWP and Cheshire Police.
- 4.4 During the period April 2010 to March 2011, the BIU received 802 referrals, of which 513 cases have been investigated and closed. These investigations have led to:
- 88 formal cautions being issued;
 - 24 administrative penalties being issued;
 - 38 cases referred to court / court summonses issued;

- 36 successful prosecutions;
- Fraudulent overpayments (including DWP overpayments) totaling over £500,000 being identified. The Council attempts to recover all overpayments.

5.0 NATIONAL FRAUD INITIATIVE

5.1 The Council has recently received the results from the Audit Commission's National Fraud Initiative (NFI); a data matching exercise which takes place every two years. The exercise is designed to assist participating bodies to detect potential cases of fraud and erroneous payments and to correct any resulting under or overpayments from the public purse. The data matching results are currently being investigated and the outcomes will be reported to the Board at a later date.

5.2 The datasets examined as part of NFI are:

- Payroll
- Pensions (provided by Pensions Authority)
- Trade creditors' payment history and standing data
- Housing Benefits (provided by DWP)
- Council Tax
- Electoral Register
- Students eligible for a loan (provided by Student Loan Company)
- Private supported care home residents
- Blue Badges/Concessionary Travel
- Insurance claimants
- Licences – market traders/operator, taxi driver and personal licences to supply alcohol

6.0 The UK Bribery Act 2010

6.1 The UK Bribery Act 2010 is a new piece of legislation designed to help combat bribery and corruption, which simplifies the existing law on bribery, enabling the courts to deal with it more effectively. The new Act comes into force on 1 July 2011. Penalties under the Act include fines and/or imprisonment for up to ten years (for the more serious offences).

6.2 Under the Act there are four offences:

- Bribing another person;
- Receiving a bribe;
- Bribing a foreign public official; and
- Failure by a commercial organisation to prevent a bribe being paid for or on its behalf.

- 6.3 It is unlikely that the offence of bribing a foreign public official will be an issue that affects the Council. Similarly, public bodies are not considered to be commercial organisations for the purposes of the Act. However, in any event, it is considered prudent for the Council to review its policies and procedures in light of the Act to ensure that they are adequate in regards to those offences that could affect the Council.
- 6.4 The Ministry of Justice guidance refers to six key principles to follow to determine what 'adequate procedures' equate to in any one organisation depending on its exposure to risk.
- Proportionate procedures - clear, practical, accessible, effectively implemented and enforced;
 - Top-level commitment - showing that the organisation is committed to tackling bribery and helping to create an anti-bribery culture;
 - Risk assessment - bribery risks evaluated and kept up to date;
 - Due diligence - proportionate processes are in place to mitigate risks;
 - Communication (including training) - demonstrating the anti-bribery stance both externally and internally, informing staff, enhancing prevention and acting as a deterrent;
 - Monitoring and review - to keep anti-bribery "live" with periodic re-evaluation to assess whether what is in place is appropriate.
- 6.5 As the Council has well established governance arrangements, only minor amendments to existing procedures will be required. Procurement Standing Orders have already been updated to take account of the Act. The Anti-Fraud & Corruption Strategy, Fraud Response Plan and documentation associated with the procurement process will also be reviewed and updated as necessary.

7.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 7.1 There are no specific policy implications arising from this report.
- 7.2 There are no direct financial implications arising from this report. Further development of the Council's counter fraud arrangements will be met from within existing resources.

8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 8.1 The maintenance of an effective framework to minimise the risk of fraud and corruption contributes to the achievement of all the Council's priorities.

9.0 RISK ANALYSIS

- 9.1 This report highlights specific actions that the Council has already taken, and continues to take, to minimise the risk of fraud. Failure to maintain effective counter fraud measures would result in the Council being susceptible to an increased risk of financial loss.
- 9.2 The Council needs to reviews its policies and procedures and respond appropriately to the new UK Bribery Act 2010.

10.0 EQUALITY AND DIVERSITY ISSUES

None identified.

11.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None.