

AUDIT COMMISSION NATIONAL REPORT – PROTECTING THE PUBLIC PURSE 2013 – FIGHTING FRAUD AGAINST LOCAL GOVERNMENT

MEETING: BOLSOVER DISTRICT COUNCIL AUDIT COMMITTEE

DATE: 4th February 2014

REPORT BY: INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM

FOR PUBLICATION

BACKGROUND PAPERS: Audit Commission Report available on the Audit Commission Web site:

<http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf>

1 Purpose of Report

- 1.1 To report to Members a summary of findings and recommendations from a recent Audit Commission National report titled 'Protecting the Public Purse 2013 – Fighting Fraud against Local Government.'
- 1.2 To report an assessment of Bolsover District Council's position against the 'Checklist for councillors and others responsible for governance' and to identify any actions required.

2 Recommendations

- 2.1 That the Audit Commission Report 'Protecting the Public Purse 2013' be noted.
- 2.2 That subject to any comments members may wish to make, the position shown in the 'Checklist for councillors and others responsible for governance' (Appendix A) be noted.
- 2.3 That the Action Plan at Appendix B be agreed.

3 Background

- 3.1** During the 1990's the Audit Commission published a series of reports entitled *Protecting the Public Purse*. These reports highlighted the risks posed by fraud to Local Authorities and identified best practice in procedures to minimise these risks.
- 3.2** The Audit Commission decided to re-establish publication of the report in 2009. They considered this to be timely as a result of the recession and their belief that this may result in an increased risk of fraud. The 2012 report was considered by this Committee in March 2013.
- 3.3** The full 2013 report (56 pages) is available on the Audit Commission's web site (see link above). The report contains the following sections:
- Summary and Recommendations
 - Chapter 1 – Introduction
 - Chapter 2 – Detected fraud against councils and related bodies
 - Chapter 3 – Is fraud declining
 - Chapter 4 – Housing Tenancy and council tax discount fraud
 - Chapter 5 – Trends and developments in other fraud risks
 - Chapter 6 – National and local developments in fraud detection and deterrence
 - Looking ahead
 - Appendix 1 – Detected Frauds and Losses by Region
 - Appendix 2 – Checklist for councillors and others responsible for governance
 - Appendix 3 – Questions for councillors to support 2013 individual fraud briefings
 - References

4 Main Findings and Recommendations of 'Protecting the Public Purse 2013'

- 4.1** Key issues identified within the Summary are:
- Fraud costs local government more than £2 billion a year.
 - Local government bodies detected fewer frauds in 2012/13, excluding housing tenancy frauds, compared with the previous year.
 - London boroughs detected more fraud than in 2011/12

- The pace of local authority activity to tackle housing tenancy fraud is accelerating.
- There is significant variability in detected non-benefit fraud levels between similar Council's
 - Over three-quarters of all detected non-benefit fraud cases are found by one quarter of councils.
 - Some Council's notably 79 district councils, reported no detected non-benefit fraud.
- Some councils' capacity to investigate fraud is reducing. All councils need to consider how they prioritise resources.
- Some councils are starting to focus more attention on those fraud risks that are growing:-
 - Right to Buy fraud
 - Social care fraud
- Councils face reduced funding and new national counter-fraud arrangements. They need to assess fraud risks effectively to target resources where they will produce most benefit. They should:
 - Maintain their capacity to investigate non-benefit fraud following the introduction of the Single Fraud Investigation Service
 - Follow the lead of London boroughs and focus more effort on detecting non-benefit fraud which directly affects their revenue; and
 - Ensure they have the right skills to investigate all types of fraud, which vary in complexity.
- Councillors have a crucial role in supporting the right approach to deter and detect fraud.

4.2 The key recommendations are

- All local government bodies should:
 - Use our checklist for councillors and others responsible for governance to review their counter-fraud arrangements; and
 - Actively pursue potential frauds identified through their participation in the National Fraud Initiative.

Councils in particular should:

- Actively promote a counter-fraud culture
- Develop a clear strategy to tackle fraud
- Work in partnership to reduce fraud

- Prepare effectively for the introduction of the Single Fraud Investigation Service
- Allocate sufficient resources to tackling fraud
- Improve their use of data to measure their performance in tackling fraud.

5 Assessment of Bolsover District Council's Procedures

- 5.1** The Audit Commission report includes a checklist covering the issues and recommendations in their report so that 'councillors and others responsible for governance' can review the current level of compliance.
- 5.2** The Audit Commission checklist is attached to this report as Appendix A. Appendix A has initially been completed by the Interim Head of the Internal Audit Consortium in conjunction with other relevant officers. When completing the checklist and identifying potential areas for further action, responses have been kept proportionate to the perceived risk within Bolsover District Council and to the resources available.
- 5.3** The checklist shows compliance with most of the areas but there are two areas where further work is required and these are included in the action plan at Appendix B.

6 Recommendations

- 6.1** That the Audit Commission Report 'Protecting the Public Purse 2013' be noted.
- 6.2** That subject to any comments members may wish to make, the position shown in the 'Checklist for councillors and others responsible for governance' (Appendix A) be noted.
- 6.3** That the Action Plan at Appendix B be agreed.

7 Reason for Recommendations

- 7.1** To inform Members of the findings and recommendations from a recent Audit Commission National report titled 'Protecting the Public Purse 2013 – Fighting Fraud against Local Government.'

Appendix A

Audit Commission Checklist for ‘Councillors and Others Responsible for Governance’

Ref.	Issue	Arrangements Fit for Purpose / Working		Comment / Action January 2014
		Yes	No	
1.	Do we have a zero-tolerance policy towards fraud?	Y		The Council has a well established approach of a zero tolerance policy towards fraud which is set out in a range of Council policies. A new Anti Fraud, Bribery and Corruption policy was approved by this Committee on the 25 th June 2012.
2.	Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i> ?	Y		The Anti Fraud, Bribery and Corruption policy was adopted in June 2012.
3.	Do we have dedicated counter-fraud staff?	Y		Housing Benefit Fraud Investigation staff and allowance for special investigations in the internal audit plan.
4.	Do counter-fraud staff review all the work of our organisation?	Y		Internal audit covers the whole organisation.
5.	Does a councillor have portfolio responsibility for fighting fraud across the council?	N		However in practice this would be the portfolio member.
6.	Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	PART		NFI results have not been reported to this committee for some time

Ref.	Issue	Arrangements Fit for Purpose / Working		Comment / Action January 2014
		Yes	No	
				Regular report to Audit Committee on progress of internal audit plan.
7.	Have we assessed our management of counter-fraud resources against good practice?	Y		The Benefits Fraud Team is assessed as part of joint working arrangements with the DWP. Internal Audit resources are assessed in the context of the internal audit plan.
8.	Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> ▪ new staff (including agency staff)? ▪ existing staff? ▪ elected members? ▪ Our contractors? 	Y		Steps were taken to increase awareness when the revised Anti Fraud and Corruption Policy was adopted.
9.	Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	Y		Internal Audit is a member of both Derbyshire and Midlands Audit Groups. Work closely with DWP, Member of Derbyshire Investigation Group which meets quarterly.
10.	Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	Y		See 9
11.	Do we identify areas where our internal controls may not be	Y		Covered by internal audit plan and

Ref.	Issue	Arrangements Fit for Purpose / Working		Comment / Action January 2014
		Yes	No	
	performing as well as intended? How quickly do we then take action?			reports to Audit Committee.
12.	Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative (NFI) and receive reports on our outcomes?	PART		Participation in NFI has been strong however the results have not been regularly reported to Committee
13.	Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	Y		Money Laundering policy revised and adopted in June 2012 There is a Whistle blowing Policy in place.
14.	Do we have effective arrangements for: <ul style="list-style-type: none"> • Reporting Fraud; and • Recording Fraud 	Y		See comment in 12 above.
15.	Do we have effective whistle-blowing arrangements? In particular are staff: <ul style="list-style-type: none"> • aware of our whistle-blowing arrangements? • have confidence in the confidentiality of those arrangements? • Confident that any concerns raised will be addressed? 	Y		There is a whistle blowing policy in place that stresses confidentiality. Any concerns raised are properly investigated.
16.	Do we have effective fidelity insurance arrangements?	Y		Fidelity Guarantee Policy in place.
17.	Have we reassessed our fraud risks since the change in the financial climate?	Y		Considered as part of internal audit plan.
18.	Have we amended our counter-fraud action plan as a result?		N	But see comment to 17 above.

Ref.	Issue	Arrangements Fit for Purpose / Working		Comment / Action January 2014
		Yes	No	
19.	Have we reallocated staff as a result?		N	Not really applicable as HB fraud staff remain dedicated to HB fraud. Internal audit resources in internal audit plan.
20.	Housing tenancy Do we take proper action to ensure that we only allocate social housing those who are eligible?	Y		The Housing Service investigates any cases where it is suspected sub letting is taking place and takes appropriate enforcement action. Identity checks for all applicants and successions.
21.	Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	Y		See comment to 20 above.
22.	Procurement Are we satisfied that procurement controls are working as intended?	Part		Procurement controls and processes have improved but are still being further developed.
23.	Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels and compared them with best practice?	Y		These were reviewed by the Shared Procurement Unit at the time of the investigation.
24.	Recruitment Are we satisfied our recruitment procedures: <ul style="list-style-type: none"> ▪ Prevent us employing people working under false 	Y		Standard Recruitment and Selection procedures adopted. Include checks on

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		Yes	No	
	identities; <ul style="list-style-type: none"> ▪ Confirm employment references effectively; ▪ Ensure applicants are eligible to work in the UK; and ▪ Ensure agencies supplying us with staff undertake the checks that we require? 			all areas listed. Currently low level of recruitment activity.
25.	Personal Budgets Where we are expanding the use of personal budgets for adult social care, in particular direct payments have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?			Not applicable to District Council.
26.	Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?			Not applicable to District Council.
27.	Council Tax Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	Y		Rolling program of discounts / exemptions checks in place and operating.
28.	When we tackle housing benefit fraud do we make full use of: <ul style="list-style-type: none"> ▪ the National Fraud Initiative; ▪ Department for Work and Pensions Housing Benefit Matching Service; ▪ Internal data matching; and ▪ Private sector data matching 	Y		All data sources utilised.
29.	Do we have appropriate and proportionate defences against	Y		Business Rates / RTB / Local Council

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		Yes	No	
	emerging fraud risks: <ul style="list-style-type: none"> ▪ Business rates; ▪ Right to Buy (RTB); ▪ Social Fund and Local Welfare Assistance; ▪ Council tax reduction ; ▪ Schools; and grants 			Tax Support– internal controls will be reviewed as part of planned audits.

Appendix B

Action Plan – Fraud Issues

Ref.	Action	To be Implemented By:		Comment
		Officer	Date	
6 and 12	We should maximise the benefit of our participation in the Audit Commission National Fraud Initiative (NFI) by reporting the outcomes regularly to the Audit Committee	Joint Assistant Director – Finance and Revenues and Benefits	April 2014	
22	Procurement controls/processes/training etc should be further developed	Joint Executive Director - Operations	April 2014	

