

North Somerset Council

REPORT TO THE	AUDIT COMMITTEE
DATE OF MEETING:	19TH MARCH 2015
SUBJECT OF REPORT:	COUNTER FRAUD REPORT 2014-15 AND COUNTER FRAUD ACTION PLAN 2015- 16
TOWN OR PARISH:	NONE
OFFICER/PRESENTING:	TAMMY WEEKS, SENIOR AUDITOR (FRAUD)
KEY DECISION:	NO

RECOMMENDATIONS:

The Audit Committee notes the Counter Fraud Report 2014-15 and recommends for approval the Counter Fraud Action Plan 2015-16 (Appendix C) and the Council's Anti-Bribery Policy (Appendix D)

SUMMARY OF REPORT

This report outlines the progress made to implement the Council's Counter Fraud Strategy 2013-15 through the 2014-15 Counter Fraud Improvement Plan. It also recognises the fraud risks identified in the Audit Commission publication of "Protecting the Public Purse 14" and the additional work required during 2015-16, through the Counter Fraud Action Plan to ensure that we are giving sufficient coverage to these areas.

1. POLICY

The Counter Fraud Strategy 2013-15 approved by Statutory Officers on 15 July 2013 and the Counter Fraud Improvement Plan 2014-15 approved by the Audit Committee on 5 June 2014. The Counter Fraud Action Plan 2015-16 for approval by the Audit Committee.

2. DETAILS

This is a summary report on the work achieved against the Counter Fraud Action Plan for 2014-15. This report also outlines future work in the Counter Fraud Action Plan 2015-16.

2.1. BENEFIT FRAUD

Benefit Fraud will be transferring to DWP under the new SFIS arrangements in May 2015. During 2014-15 resources were considered for Benefit Fraud investigation in preparation for the transfer. However, we have continued to prioritise cases and deliver sanctions where necessary. At the end of January 2015 we had issued 7 administrative penalties to the value of £13,760.

We have continued to collect outstanding administrative penalties and as at

the time of writing this report totally £19,277.02.

Performance graphs are attached at *Appendix A*.

2.2. ONLINE INFORMATION

Information about fraud and the counter fraud work we undertake has been published on the public website. This includes details of different types of fraud and how to report a fraud. An online form has been introduced so that fraud can now be reported via the internet.

In addition to this, an article on fraud and counter fraud was included in the January 2015 addition of North Somerset Life. It is hoped that by raising the public's awareness of fraud and the work we undertake, the public will have increased confidence to report any concerns they may have.

2.3. FRAUD & ERROR PROJECT

The working group (comprising of NSC staff and staff from Liberata), established in 2013, has continued working closely to identify areas where data matching can be completed to detect fraud and error within Housing Benefit, Local Council Tax Support and Business Rates. This has continued to be a successful working group and through the areas identified and the follow up work completed, £365k of overpayments was identified during 2014-15, which is now in the process of being recovered by Liberata.

It has been agreed that the group will follow up the Benefit Fraud matches identified by the National Fraud Initiative and training has already been given to the Liberata staff tasked with this work. Work has already started on the matches released.

2.4. ANTI-BRIBERY POLICY

The Bribery Act 2010 has made it an offence for an organisation to fail to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. However, an organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

To ensure that North Somerset Council is undertaking its duty to prevent bribery, it is imperative that an anti bribery culture is embraced by the organisation. The Anti Bribery Policy 2015 (Appendix D) should be approved and implemented to raise the awareness of all staff and members and to highlight the associated policies and procedures in place which they also must comply with.

It is intended for the approval and implementation of the Anti Bribery Policy 2015 to be published in The Knowledge and Members Only. The policy will be available on the council's intranet system, ensuring that all staff and members have access.

This new policy also supports the Counter Fraud Strategy 2013-15 and the Counter Fraud Action Plan 2014-15.

2.5. EMERGING/HIGH RISKS

Work has been undertaken in the areas of new emerging risks and high risk (including identify fraud and procurement) to assess the likelihood and impact of the risks. Where necessary, recommendations have been made to strengthen controls to help prevent fraud from occurring.

2.6. REVIEW OF POLICIES

Policies have been reviewed during the year to ensure that they are still current and where necessary updated versions have been produced.

We have worked with HR and a revised version of the Whistleblowing Policy is due to be rolled out at the start of 2015-16. This will be in line with PAS 1998:2008 "Whistleblowing arrangements Code of Practice"

We have also produced an Anti-Bribery Policy which we are presenting today for comment and recommendation.

In addition to this, a revised Money Laundering Policy has been drafted which we will be seeking approval and roll out for in early 2015-16 after the new Head of Finance and Property is in post.

2.7. COUNTER FRAUD BID

Work was undertaken and innovative ideas were identified in response to the announcement of the Counter Fraud Fund which was to be allocated to local governments via a bid process. We worked in partnership with Bath and North East Somerset, South Gloucestershire and Bristol City Councils and two joint bids were submitted; Shared Fraud Activity and creation of a data warehouse/data matching function.

Although both bids were unsuccessful this time, the work identified areas to be considered for the future and we will continue to work with the other councils to see if elements of the work can be delivered within current resources.

2.8. 2015/16 PLAN

Counter Fraud work is an ongoing process and we will continue to identify and assess new and emerging fraud risks that the council faces. As part of this process we reviewed the outputs from the Audit Commission publication 'Protecting the Public Purse' published in October 2014. Appendix B details our assessment of the fraud risks identified from this publication and the work we have planned for 2015/16.

Appendix C then details all of the key areas we have included within our Counter Fraud Action Plan for 2015-16 under the following key headings –

- a) Strategy, Policies and Procedures;
- b) Counter Fraud Awareness;
- c) Housing & Council Tax Benefit Investigation;
- d) Corporate Investigations;
- e) Emerging Risks & Areas of Increased Risk;
- f) Audit & Assurance Function.

3. CONSULTATION

The Counter Fraud Strategy 2013-15 was approved by the Statutory Officers on 15 July 2013. The Counter Fraud Action Plan 2014-15 was considered and approved by the Audit Committee at their meeting on 5 June 2014.

The Counter Fraud Action Plan 2015-16 to be approved by the Audit Committee.

4. FINANCIAL IMPLICATIONS

Financial savings where known and proven have been detailed within the report. Wider financial implications of delivering this plan are within the existing resource of the Audit & Assurance service.

5. RISK MANAGEMENT

It is recognised by Government that the current economic climate in the United Kingdom and the Government policy of significantly reduced public spending have the potential to increase the risk of fraud and irregularity as never seen before in the public sector. As the Council makes significant cuts in its current and future budgets, it is essential that it continues to maintain strong defences against fraud and irregularity, directing its resources most effectively to mitigate the areas of highest risk.

6. EQUALITY IMPLICATIONS

Equality and diversity impact assessments of investigations completed, and sanctions issued are regularly undertaken and have showed that the implementation of the Counter Fraud Strategy 2013-15 had not adversely impacted on any specific individuals or groups.

7. CORPORATE IMPLICATIONS

Counter fraud is integral to the culture and working practices of the Council.

8. OPTIONS CONSIDERED

None.

AUTHORS

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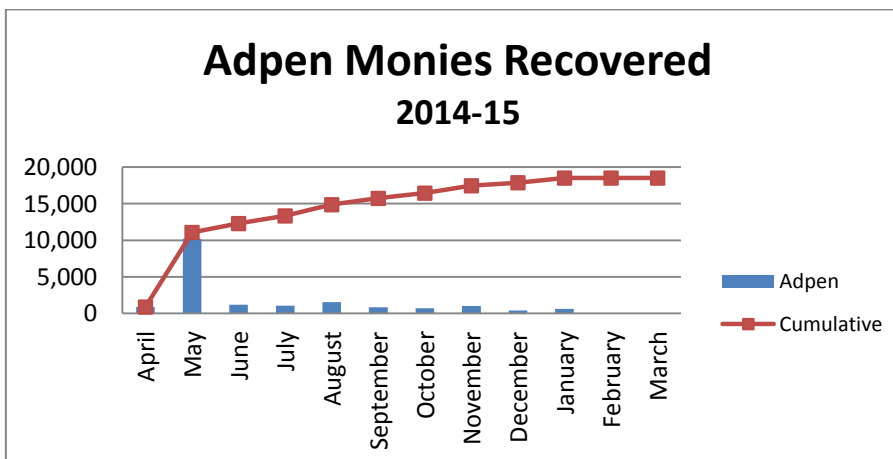
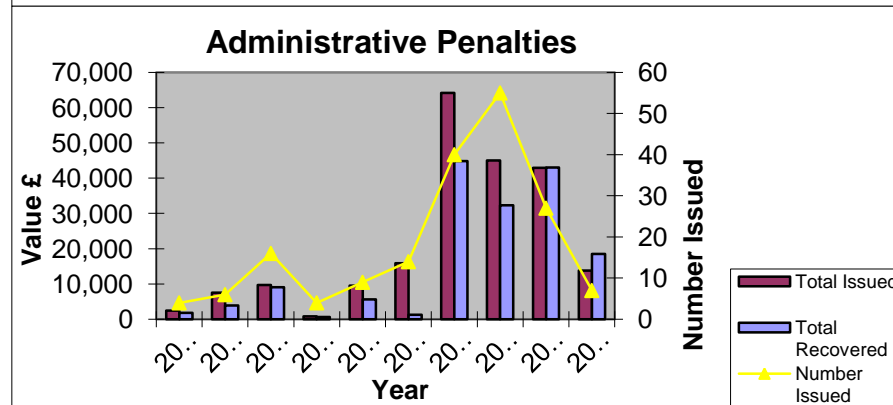
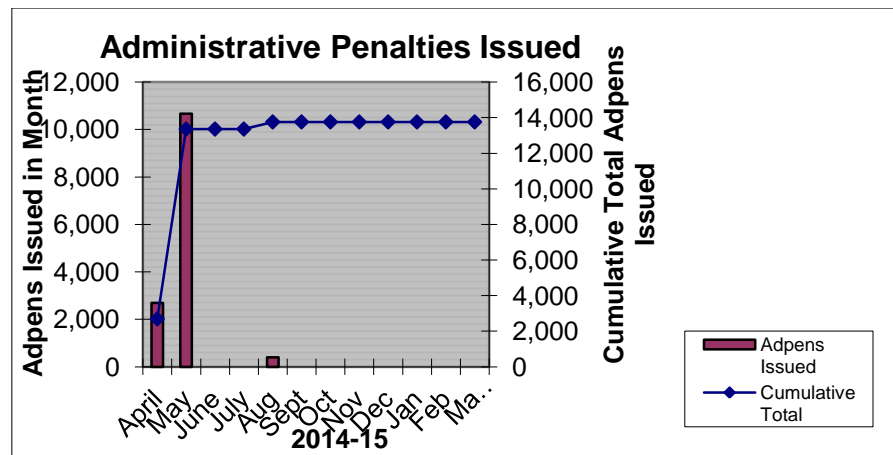
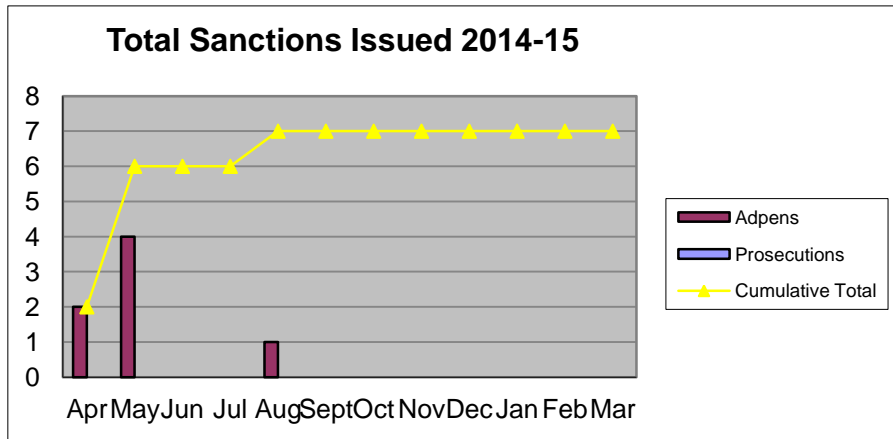
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BACKGROUND PAPERS

Counter Fraud Strategy 2013-15, Counter Fraud Improvement Plan 14-15, Counter Fraud Improvement Plan 15-16 for approval

Appendix A



Appendix B – High Fraud Risks Identified in Protecting the Public Purse

Fraud Risk	Work Already Completed	Outcome of previous work / Work to complete 2015-16	Risk Level at NSC
Procurement	Areas of procurement have regularly been included within the audit plan and the annual fraud prevention plan.	Although work has already been completed, due to the large range of fraud risk that can occur within the procurement cycle, the difficulty in detecting fraud through data matching and the volume and value of contracts in North Somerset Council it is felt that more work is required. This should include contract management and lower value contracts that may not normally be included within testing samples.	High
Recruitment	This area has been covered by audit and fraud reviews. NFI also data match on Right to Work.	No major issues have been identified and it is felt that there has been sufficient recent coverage.	Low
Personal Budgets	Covered by audit reviews.	This has been included in the NFI data matches for the first time. Due to the level of matches identified it would be prudent to follow these up with further investigations/reviews.	High
Council Tax Discount	Completed as part of benefit fraud investigations (see below).	We will continue to liaise with the F&E team to identify and agree new areas to target data matching.	Medium
Housing Benefit	Housing benefit fraud has continued to be investigated either by our team or the F&E team. Where necessary benefit has been corrected and overpayments collected. Targeted work has also been carried out by the F&E team.	This will be passing to SFIS in May 2015. Work will continue up to the transfer date only. It has been agreed that the F&E team will work through the NFI matches. We will continue to liaise with the F&E team to identify and agree new areas to target data matching.	n/a
Business Rates	Both project work and audit work has been completed recently to identify errors and where improvements in the systems were required.	Due to the high monetary value, it would be prudent to revisit this area later in 2015 to ensure that recommendations continue to be implemented. Also consider project work targeted on reliefs.	Medium
Council Tax Reduction (SPD)	Covered by NFI data matches and Equiniti data matches.	It has been agreed that the F&E team will work through the NFI matches. Data matching with Equiniti will continue on a rolling programme.	Medium
Schools	Admissions: We have investigated a couple of cases where it is suspected that people are using addresses that they are not living at in order to obtain a place at a preferred school. At schools: Extensive audit work carried out. Counter Fraud test programme completed at two academies.	Only a very small number of referrals. False admission claims are also hard to prove. Consider data matching (at a fee?) and the School Admissions team completes the follow up work.	Low
		Include Counter Fraud test programme in school audits. Provide a Counter Fraud Training Package to schools and academies.	Medium
Grants	We have provided audit assurance for some of the grants received by the council.	More work is required to identify and audit all grants that the council has received and issued to other organisations. This includes compiling a central record of all grants received /issued. Also consider doing a 'best practice' information page for the internet and promotion in The Knowledge.	High

Appendix C – Counter Fraud Action Plan

Action	Desired Outcome
Strategy, Policies and Procedures	
Annual review of the following documents: <ul style="list-style-type: none"> • Counter Fraud Strategy 2013-15 <i>(To be updated to reflect the National Fraud Strategy, Protecting the Public Purse and the creation of the Single Fraud Investigation Service)</i> • Anti-Fraud and Corruption Policy <i>(Part of the Constitution)</i> • Prosecution Policy • Money Laundering Policy. • Anti-Bribery Policy 2015 	<p>All documents are “fit for purpose” and incorporate details of new or revised risks of fraud or irregularity and any national changes to the benefit investigation regime.</p> <p>All changes to documents approved by the Council (<i>Constitution</i>) or the Audit Committee.</p>
Implementation of revised Whistleblowing Policy in line with British Standards PAS 1998:2008 “Whistleblowing arrangements Code of Practice”.	
Seek approval and formal roll out of the Anti-Bribery Policy.	
Counter Fraud Awareness	
Counter fraud alerts: <ul style="list-style-type: none"> • The Knowledge • Members Only • Display Board • Counter fraud intranet site 	<p>Staff, Members, partners, contractors and volunteers (civil sector) have enhanced knowledge and awareness of the risk of potential fraud or irregularity.</p> <p>Increase in good quality internal/external referrals where fraud or irregularity is suspected.</p>
Counter fraud newsletter: <ul style="list-style-type: none"> • Contribute to the West of England newsletter, collated by South Gloucestershire Council • Circulation of articles of relevant interest. 	
Training programme: <ul style="list-style-type: none"> • Continue promoting the counter fraud awareness e-learning module to all staff throughout the council. • Specific counter fraud awareness training provided to those persons working within areas of increased risk of fraud or irregularity • Promotion of counter fraud awareness to all partner organisations and contractors of the council. Consider having a promotional stand at all event days. 	

Action	Desired Outcome
<ul style="list-style-type: none"> Develop a fraud awareness training programme for delivery to schools and academies. 	
<p>Communication of successful fraud or irregularity investigations and outcomes.</p>	
<p>Fraud Risks Informing Risk Management:</p> <ul style="list-style-type: none"> Work closer with the risk management group to ensure that all fraud risks are considered, evaluated and included within the risks registers where necessary Involvement in service planning throughout the council to help teams identify their own risks Attendance at project groups to identify fraud risks that may affect new and/or changing areas of work 	<p>Fraud risks included within risk registers and appropriate action taken to mitigate the risks, resulting in less corporate investigations and reduction in losses to the council.</p>
<p>Housing and Council Tax Benefit Investigation:</p>	
<p>Until May 2015: Intelligent sift of referrals to focus limited resources on cases most likely to result in the identification of fraud and issue of a sanction.</p> <p>Prioritisation of high value, capital and employment cases and any “quick wins”.</p>	<p>Successfully sanction cases of fraud and Recovery of Adpens.</p>
<p>Provide Single Point of Contact for liaison with the Department of Work and Pensions to establish processes and procedures for the transfer of Benefit Fraud Investigations to SFIS.</p>	<p>Successful transfer of all live cases in May 2015. Processes and procedures established for the ongoing transfer of information.</p>
<p>Data matching:</p> <ul style="list-style-type: none"> National Fraud Initiative (NFI) (<i>Audit Commission</i>) Internally utilising Council datasets and Incase/Idea for the analysis (<i>if required</i>). 	<p>Continued identification of fraud and error leading to the recovery of overpayments.</p>
<p>Close working with the ‘Fraud and Error Project Team’ (<i>Liberata</i>) to identify and agree new</p>	

Action	Desired Outcome
areas to target data matching.	
Corporate Investigations (Internal and External):	
<p>Intelligent sift of all referrals to ensure a formal investigation by Internal Audit is the most appropriate course of action.</p> <p>Prompt referral to the Police of any potentially serious fraud or irregularity (<i>senior management approval required</i>)</p>	<p>Issue of formal Internal Audit reports, incorporating recommendations for disciplinary or management action and/or practice and process changes, to senior management.</p> <p>Appropriate disciplinary or management action taken by senior management in respect of all cases of proven fraud or irregularity.</p> <p>Full recovery (<i>if cost effective</i>) from an individual or insurance policy of all losses suffered by the Council as a result of fraud or irregularity.</p> <p>Civil action (<i>prosecutions</i>) taken by senior management in respect of proven cases of fraud or irregularity (<i>if cost effective</i>).</p>
<p>Data matching referrals:</p> <ul style="list-style-type: none"> • National Fraud Initiative (NFI) (<i>Audit Commission</i>) • Intelligent internal data matching to generate fraud or irregularity referrals, e.g. staff names and addresses matched to creditor payments names and addresses. <p>Investigations to be completed by IA in conjunction with HR and/or relevant managers within Council directorates</p>	
Emerging Risks	
<p>Continuously review national documentation / press releases and information shared through the West of England Chief Internal Auditors Fraud Sub-Group to keep abreast of all emerging fraud risks. Where necessary;</p> <ul style="list-style-type: none"> • Assess the level of risk to NSC • Ensure robust processes are in place to minimise the opportunity of fraud • Identify all cases of possible fraud and investigate • Action taken if necessary 	<p>Issue of formal Internal Audit reports, incorporating recommendations for management action and/or practice and process changes, to senior management.</p> <p>Appropriate action taken by senior management in respect of all cases of proven fraud or irregularity.</p>

Areas of Increased Risk of Fraud (<i>reviewed and updated continuously throughout the year, e.g. Fighting Fraud Locally</i>).	
<p>Specific internal audit reviews (<i>internal controls</i>) and/or directed counter fraud work (<i>the “tell tale” signs of a potential fraud</i>):</p> <ul style="list-style-type: none"> ○ Personal budgets ○ Procurement ○ Business Rates (tax avoidance) ○ Economic and third sector (e.g. grants) ○ Schools 	<p>Issue of formal Internal Audit reports, incorporating recommendations for management action and/or practice and process changes.</p>
Internal Audit Service	
<p>Programme of internal audit reviews and counter fraud work included in Annual Audit Assurance Plan 2015-16, e.g. Annual fraud transaction checks.</p>	<p>Adequate assurance provided (<i>Annual Assurance Statement</i>).</p> <p>Senior management and the Audit Committee have timely and sufficient information about the implementation of the Counter Fraud Strategy 2013-15 and the Counter Fraud Action Plan 2015-16.</p>
<p>Attendance at meetings of the regional West of England Chief Internal Auditors Fraud Sub-Group.</p>	
<p>Active involvement in regional and national data capture and benchmarking exercises.</p>	
<p>Regular progress reports for senior management, e.g. Statutory Officers, and the Audit Committee.</p>	

Anti Bribery Policy

2015

A photograph showing a hand on the left holding several US dollar bills, and a hand on the right held palm up in a stop gesture. The background is blurred.

Internal Audit

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If you require clarification on any aspect of the Counter Fraud Strategy or require this document in a different format, please contact Internal Audit.

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Anti Bribery Policy

What is Bribery?

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

Policy Statement - Anti Bribery

Bribery is a criminal offence. North Somerset Council do not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements.

To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

We are committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery.

Objective of this policy

This policy provides a coherent and consistent framework to enable the Council's Officers and Members to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable Members and Officers to identify and effectively report a potential breach.

We require that all personnel, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and to safeguard the organisation's resources for which they are responsible,
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities.

The Bribery Act

The Bribery Act 2010 (http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1) makes it an offence;

- to offer, promise or give a bribe (Section 1).
- to request, agree to receive, or accept a bribe (Section 2).
- To offer, promise, or give any financial or other advantage to a public foreign official with the intention of obtaining or retaining business or an advantage in the conduct of business (section 6).
- of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation (section 7).

Bribery is not tolerated

It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given,
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure,
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them,
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return,
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy,
- engage in activity in breach of this policy.

Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both,
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both.

~~Organisations are liable for these fines and if guilty of an offence under section 7 are liable~~

Adequate procedures

North Somerset Council has a number of policies and procedures in place to support this policy;

- [Code of Conduct](#)
- [Counter Fraud Strategy 2013-15](#)
- [Constitution](#)

In addition to the policies there is also a counter fraud [e-learning course](#) that is mandatory for all staff.

The code of conduct clearly states;

- *“All relationships of a business or private nature with external contractors, or potential contractors should be made known....”*
- *“Employees must declare any financial and non-financial interests that they consider could bring about conflict with the authority’s interests.....”*
- *“Employees should only accept offers of hospitality if there is a genuine need to impart information or support the local authority in the community.....Employees should not accept significant personal gifts from contracts and outside suppliers.....”*

All offers of gifts or hospitality (whether accepted or declined) must be entered onto the directorate register of Gifts & hospitality.

[CSD register of gifts & hospitality](#)

[D&E Hospitality & Gifts](#)

[People and Communities Hospitality and Gifts Register](#)

A [Personal Interest](#) form must be completed and returned to your Director to register all financial, non-financial and membership interests on an annual basis.

All staff must ensure that they comply with these policies and procedures.

Staff responsibilities

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches this policy.

You must:

- ensure that you read, understand and comply with this policy,
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

Raising a concern

This Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity.

Please refer to the [Whistleblowing Policy](#) and "[What you should do if you suspect a fraud](#)" on the council's intranet.

Further Questions

If you have any questions about these policies and procedures, please refer to the contacts at the beginning of the document.

Policy review date: April 2017