

North Somerset Council

REPORT TO THE	AUDIT COMMITTEE
DATE OF MEETING:	1ST DECEMBER 2015
SUBJECT OF REPORT:	COUNTER FRAUD UPDATE REPORT
TOWN OR PARISH:	NONE
OFFICER/PRESENTING:	TAMMY WEEKS, AUDIT TEAM LEADER AND JEFF WRING, HEAD OF AUDIT WEST
KEY DECISION:	NO

RECOMMENDATIONS:

The Audit Committee notes the Counter Fraud Update Report December 2015 against the Counter Fraud Action Plan 2015-16 and joint Counter Fraud Action Plan 2015-16.

SUMMARY OF REPORT

This report outlines the progress made to implement the Council's Counter Fraud Strategy 2013-15 through the 2015-16 Counter Fraud Improvement Plan. It also details the NSC and BaNES Joint Counter Fraud Action Plan 2015-16.

1. POLICY

The Counter Fraud Strategy 2013-15 approved by the Statutory Officers on 15 July 2013 and the Counter Fraud Improvement Plan 2015-16 approved by the Audit Committee on 19 March 2015.

2. DETAILS

This is the first update to the Audit Committee for the work achieved against the Counter Fraud Action Plan for 2015-16. This report also outlines future work in the NSC and BaNES Joint Counter Fraud Action Plan 2015-16, to align the policies and procedures at both councils.

2.1. BENEFIT FRAUD

Benefit Fraud successfully transferred to DWP under the new SFIS arrangements in May 2015. All contact details on the public website have been updated to direct persons reporting suspected benefit fraud to the DWP. However, we continue to receive a small amount of referrals through our online reporting and via letter, all of which we pass to the DWP.

We have continued to collect outstanding administrative penalties and have collected £2,833.81 as at the end of October 2015.

2.2. FRAUD & ERROR PROJECT

The Fraud & Error Team (Liberata) has continued working to collect the overpayments previously identified by the data matching exercises outlined by the joint working group. Between April and October 2015 a total of £137,444 was collected. The team are also continuing to identify new areas where data matching can be completed to detect fraud and error within Local Council Tax Support and Business Rates.

The team has followed up all of the recommended Benefit Fraud matches identified by the National Fraud Initiative and where necessary follow up work has been completed by the team and/or referred to the DWP for further investigation.

In addition to this they have become the 'single point of contact' for DWP in relation to the SFIS housing benefit investigations. This relationship is reported to be working well.

2.3. 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.

The Anti-Money Laundering Policy was approved by the Audit Committee and Statutory Officers in September 2015 and this has been made available on the intranet and publicised in The Knowledge.

The Anti-Bribery Policy which was presented for approval in March 2015 is also available on the intranet and was publicised in The Knowledge.

The revised Whistleblowing Policy in line with British Standards PAS 1998:2008 "Whistleblowing arrangements Code of Practice", jointly reviewed by Internal Audit and Corporate HR, has now been implemented.

Work is now underway to revise and update the Counter Fraud Strategy 2013-15. This has been delayed as we are awaiting release of the "Fighting Fraud Locally 2015" and the results of the "Fraud & Corruption Tracker Survey 2014-15", due to be released by the CIPFA Counter Fraud Centre.

We are also undertaking review of the policies at BaNES to ensure that the policies are closely aligned and where possible joint policies will be issued in the future. An updated Whistleblowing policy, which has been reviewed and updated to be in line with PAS 1998:2008 "Whistleblowing arrangements Code of Practice", will be presented to the BaNES Audit Committee on 8th December 2015.

2.4. CORPORATE INVESTIGATIONS

Within the last six months, five investigations have been undertaken, with three of these still ongoing. Of the two completed investigations, one has resulted in disciplinary procedures.

2.5. NATIONAL FRAUD INITIATIVE 2014-15

The National Fraud Initiative (NFI) has now moved from the Audit Commission to the Cabinet Office. As yet there have been no changes to the processes.

The data matches for the NFI 2014-15 were released in February 2015. The matches were assigned to the relevant teams for Blue Badges, Concessionary Fares, Housing Benefit, Personal Budgets and Insurance. Payroll and creditor

matches were retained within the Internal Audit team for completion as part of the planned core audits.

The majority of the recommended matches have now been completed. The matches for Concessionary Fares and Blue Badges identified a high number of deaths which had not previously been notified and the badges/passes were still in issue. These have now all been cancelled and the issue has been escalated to the team managers and the Client Team so that they can take measures to identify why they had not been previously notified/cancelled and to correct processes if necessary.

The housing benefit matches identified £10,747.87 of overpayments which are now in the process of being recovered.

2.6. EMERGING / HIGH RISKS

Work continues to be undertaken in the areas of high risk to assess the likelihood and impact of the risks. Fraud risks are considered within all audit reviews, where appropriate. Where necessary, recommendations have been made to strengthen controls to help prevent fraud from occurring.

We continue to review information both nationally and locally and liaise with the WOEIA fraud group to keep abreast of current fraud risks, with work completed and best practice shared between the group members.

The publications, "Fighting Fraud Locally 2015" and the results of the "Fraud & Corruption Tracker Survey 2014-15", when released, will also be used to identify the current high risk areas and any new emerging risks.

2.7. COUNTER FRAUD BID

In September 2014 we worked in partnership with Bath and North East Somerset, South Gloucestershire and Bristol City Councils and two joint bids were submitted for the counter fraud funding; Shared Fraud Activity and creation of a data warehouse/data matching function. Although both bids were unsuccessful, the work identified areas to be considered for the future and we are continuing to see if elements of the work can be delivered within current resources.

In particular, the work to align the policies and procedures for Counter Fraud at both NSC and BaNES is conducive to a shared fraud function. Also we are continuing work to identify areas in which we can undertake innovative data matching, not only to identify fraud and error, but to be informative and add value to the Councils as a whole.

2.8. JOINT COUNTER FRAUD ACTION PLAN

Counter Fraud is an ongoing process and we will continue to identify and assess the fraud risks that both NSC and BaNES face.

We have developed a Joint Counter Fraud Action Plan that is designed to align the Counter Fraud work at Both NSC and BaNES. This is included in *Appendix A* for consideration by the Audit Committee. The work will be focused around aligning policies and procedures and also ensuring that staff receive appropriate training and information to enable them to identify and report any suspicions of irregularity/fraud.

3. CONSULTATION

The Counter Fraud Strategy 2013-15 was approved by the Statutory Officers on 15 July 2013. The Counter Fraud Action Plan 2015-16 was considered and approved by the Audit Committee at their meeting on 19 March 2015.

4. FINANCIAL IMPLICATIONS

The financial implications of delivering this plan have been negated by the savings of preventing and/or detecting fraud at an early stage.

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 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

Tammy Weeks, Senior Auditor (Fraud) 01934 634762

tammy.weeks@n-somerset.gov.uk

Jeff Wring, Head of Audit West

jeff.wring@n-somerset.gov.uk

BACKGROUND PAPERS

Counter Fraud Strategy 2013-15, Counter Fraud Improvement Plan 15-16, Joint Counter Fraud Improvement Plan 15-16

Appendix A - Joint Counter Fraud Action Plan 2015-16

Action	Work required to Align Practices	Desired Outcome
Strategy, Policies and Procedures		
Annual review of the following documents: <ul style="list-style-type: none"> • Counter Fraud Strategy • Anti-Fraud and Corruption Policy • Prosecution Policy • Money Laundering Policy. • Anti-Bribery Policy • Whistleblowing Policy 	Review all documents at both NSC and BaNES; <ul style="list-style-type: none"> • When are they due for update • How are they made available Consider 'current trends' from Fighting Fraud Locally 2015 and the Fraud & Corruption Tracker Survey results (due end Oct / beginning Nov). Consider how the policies can be aligned. Understand approval lines at both councils. Update policies as required. Ensure that all updated policies are promoted.	All documents are "fit for purpose" and incorporate details of new or revised risks of fraud or irregularity and any national changes. All changes to documents approved by the Council (<i>Constitution</i>) and/or the Audit Committee.
Counter Fraud Awareness		
Counter fraud alerts: <ul style="list-style-type: none"> • The Knowledge / Staff Matters • Members Only • Display Board • Counter fraud intranet site • School's Noticeboard 	Establish contacts and understand protocols at both councils for publishing fraud alerts. Establish contacts and understand protocols for information on intranet sites. Review and update the information on intranet, considering any changes in best practice and current fraud trends. Establish whether display boards are available at the councils. Obtain dates of key events at which display boards can be used to promote counter fraud.	Staff, Members, partners, contractors and volunteers (civil sector) have enhanced knowledge and awareness of the risk of potential fraud or irregularity. Increase in good quality internal/external referrals where fraud or irregularity is suspected. 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.
Counter fraud newsletter:	Use Staff Matters and The Knowledge to publicise any	

Appendix A - Joint Counter Fraud Action Plan 2015-16

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<ul style="list-style-type: none"> · Contribute to the West of England newsletter, collated by South Gloucestershire Council · Circulation of articles of relevant interest. 	<p>potential frauds that may affect the wider council.</p> <p>Targeted fraud alerts to be used for notifying of possible fraud attempts in specific areas.</p>	
<p>Training programme:</p> <ul style="list-style-type: none"> · Continue promoting the counter fraud awareness e-learning module to all staff throughout NSC · Implementation of fraud awareness training at BaNES · 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. · Develop a fraud awareness training programme for delivery to schools and academies. 	<p>Establish contacts and understand protocols as to what training can be provided at both councils.</p> <p>Review and update training to ensure that it is in line with current best practice and reflects current fraud risks.</p> <p>Discuss with the Business Development Manager, training that can be delivered to academies and other organisations.</p> <p>Consider delivering fraud awareness training to Bursar and Business Managers group (or equivalent) at BaNES.</p>	
<p>Communication of successful fraud or irregularity investigations and outcomes.</p>	<p>Discuss and understand the current process at BaNES for reporting outcomes of investigations.</p>	

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Action	Work required to Align Practices	Desired Outcome
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>Discuss and understand current processes for investigations at BaNES.</p> <p>Consider whether any changes are required to align the working practices, ensuring that all investigations are conducted and evidence collected in line with legislations.</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>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>	<p>Establish contacts at BaNES for NFI work. Fully understand processes at BaNES and current progress.</p> <p>Continue liaising with departments and monitoring progress to ensure that data is extracted and uploaded within timescales and matches are progressed.</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>
Emerging Risks		
Continuously review national documentation / press releases and		Issue of formal Internal Audit reports, incorporating recommendations for

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<p>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 and BaNES • 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>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>
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>Review the audit plans at both councils and recent work to identify areas where further audit work is required.</p> <p>Through discussion understand how the information is captured at BaNES for using in benchmarking. Align processes if necessary.</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>Review recent audit committee reports at both councils. Discuss and agree standard report layout.</p>	
<p>Active involvement in regional and national data capture and benchmarking exercises.</p>		
<p>Regular progress reports for senior management, e.g. Statutory</p>		

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Officers, and the Audit Committee.		
Attendance at project groups to identify fraud risks that may affect new and/or changing areas of work.		