BRISTOL CITY COUNCIL

Audit Committee

16th January 2015

Report of: **The Chief Internal Auditor**

Report Title: **Annual Fraud and Error Update**

Ward: **Citywide**

Officer presenting report: **Andrea Hobbs – Audit Manager (Investigations)**

Contact Telephone Number: **0117 92 222466**

RECOMMENDATION

The Committee:

- Notes the counter-fraud and error work being undertaken by the Council, and plans for the coming year
- Notes the assessment of the Council's arrangements for counter fraud work against best practice checklists (see appendices 2 and 3)
- Approves the suggested amendments to the Anti-Fraud and Corruption Strategy and Policy

SUMMARY

This report is intended to provide assurance to management and the Audit Committee of the effectiveness of counter fraud and error arrangements within Bristol City Council. It demonstrates that the Council recognises the fraud risks it faces, and has put effective measures in place to reduce the risk and impact of fraud.

Included in the report are summaries of the proactive and responsive fraud investigation work taking place, areas where the Council has been affected by fraud, and plans to tackle fraud for the forthcoming year. It excludes benefit fraud, which was the subject of a separate report to the Audit Committee in November 2014. This report has been considered by the Executive Member.

The significant issues in this report are:

- The Council's arrangements assessed against good practice set out in:
  - The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Managing the risk of fraud.
  - The Fighting Fraud Checklist for Governance *(Appendix 2)*
  - The National Fraud Initiative (NFI) checklist for Elected Members and Decision Makers *(appendix 3)*
- Fraud experienced by the Council in the last twelve months *(Sections 3 - 6)*
- Emerging themes from counter fraud work and investigations *(Section 9)*
- Suggested amendments to the Anti-Fraud and Corruption Strategy and Policy, largely around sanctions/prosecution. (Appendix 1)

Policy

This report is submitted in accordance with the Audit Committee's Terms of Reference, and Internal Audit's Charter, Strategy & Terms of Reference.

Consultation:

Internal: None necessary

External: None necessary

1. Introduction and Context

1.1 The purpose of this report is to:

- provide assurance on the effectiveness of the Council's counter fraud and error arrangements and demonstrate the extent to which these arrangements meet best practice.
- advise the Committee how the Council has been affected by fraud in the last year.
- share plans for development and proactive fraud work for the coming year.1.2

1.2 The Audit Committee may be interested in reading the latest Audit Commission: Protecting the Public Purse 2014 publication at http://www.audit-commission.gov.uk/. This details statistics, trends, and particular cases of fraud within Local Government.

1.3 Whilst fraud cannot be completely eradicated, the work taking place within the council and in Internal Audit provides a robust framework for both detecting and preventing fraud. The Council recognises its vulnerability to fraud, its key fraud risk areas and takes positive action to minimise that risk.. The Council's response to fraud has to be provided by a reasonable (not unlimited) level of resource and whilst any fraud is not tolerable, it is being found and dealt with. Greater emphasis is being placed on preventative and early detection work in the coming year in areas at greatest risk of fraud.

1.4 As reported in prior years, the biggest areas of fraud risk for Local Authorities are:

- Benefits - *(Subject of a separate half yearly report)*
- Procurement - (Paras 5.3, 5.4 & 9.4)
- Tenancy Fraud - *(Section 4)*
- Direct Payments - *(Paras 5.2 & 5.4)*
- Council Tax - *(Paras 5.1 & 5.3)*

1.5 There are references throughout this report to work completed, in progress, or planned for each of the areas above.

2. Approach to Fraud Detection, Prevention and Investigation

2.1 Since its inception in June 2013, a team dedicated to both responsive and proactive fraud investigation work has been created and continually developed to ensure that the Council has a robust approach to counter fraud work which is carried out by staff with the appropriate skills and capacity to do so effectively. The Team now consists of staff, equivalent to 7.6 FTE, with both professional auditing and investigation skills/qualifications which allows them not only to detect, investigate and prosecute

fraud but also to ensure that fraud prevention controls are improved to ensure the Council is appropriately protected against fraud. One of the 7.6 FTE is a permanently seconded Housing Advisor from the Neighbourhoods Directorate to support the tenancy fraud work carried out.

2.2 A breakdown of the team structure is provided at table 1 below. Although the team has not been fully staffed throughout the year whilst restructuring has taken place, it has continued to maintain its effectiveness in detecting fraud and error as demonstrated in this report. It is anticipated that the team will further develop as vacancies are permanently filled and use of new technologies and techniques in fraud prevention and detection are explored going forward. Additionally, the team will work to ensure that the impact is minimised following the loss of the Benefit Fraud Team (8.4 FTE's) to the Single Fraud Investigation Service (SFIS) within the Department for Work and Pensions (DWP) in April 2015.

Table 1

Post	**Grade**	**Full Time Equivalent (FTE)**
Audit Manager – Investigations	BG14	0.8
Group Auditor	BG11-12	2.0
Group Auditor *(Temporary – 3 years – externally funded*)	BG11-12	0.8
Investigator	BG10	2.0
Intelligence Officer or Auditor *(currently vacant)*	BG9	1.0
TOTAL INVESTIGATION RESOURCE		**6.6**
Housing Advisor *(Secondment from Neighbourhoods, currently filled by agency)*	BG9	1.0

2.3 Two of the Group Auditors in the Team have undertaken an accredited fraud investigation qualification. It is our intention to seek funding to train our two newly appointed investigators in the same qualification. Additionally,

- we are considering the benefits of an Intelligence Officer (as opposed to an Auditor) to work within the team, to deal with enquiries from other Local Authorities, the police, and to assist the investigators by carrying out enquiries on their behalf.

- we will be assessing the need for a Financial Investigator, and considering options for sharing this role with other sections in the Council, or with neighbouring authorities.

- we are working with the Housing Benefits manager to ensure an appropriate Single Point of Contact is in place to liaise and work with SFIS in tackling benefit fraud.

2.4 In August 2014, the Team sought to secure funding from a £16m counter fraud fund that the Department for Communities and Local Government (DCLG) made available to Local Authorities nationally to support counter fraud work. Although our bids were along similar lines to those that were successful, we were unfortunate in not securing any funds ourselves. Whilst the DCLG was unwilling to provide any specific feedback on failed bids, it is encouraging to note that many of the successful bids were for initiatives that Bristol City Council has already taken forward and developed egs

include creation of a dedicated corporate fraud team and our tenancy fraud initiative. This has not stopped us moving forward with some of the initiatives we had requested funding support for, although on a smaller, or more gradual, scale:

- Continuous Data matching – using other information sources available to the authority
- A Fraud Prevention Officer – to work with Schools and other cash handling areas of the Council to increase fraud awareness and control.
- ID verification solution – to identify forged IDs such as passports.

3. Fraud Experienced by the Council

3.1 The Council continues to experience a number of referrals of possible fraud or irregularity. Below is a summary of cases since the previous annual report in January 2014 and these remain at a level consistent with previous years in terms of overall referral levels. Alleged procurement irregularity cases continue to be received and notably an increase in irregularity concerning cash, credit card/cheque fraud is apparent.

3.2 Not all referrals result in an investigation, and some cases were closed without investigation due to lack of evidence, error or misunderstanding. In many cases, whilst it can be difficult to prove allegations, the investigation does highlight control improvements that can be made to strengthen fraud prevention arrangements.

Analysis of referrals since January 2014:

Directorate	NH	People	Place	BC	Total
No of referrals	5	13	4	9	**31**

Investigations closed or in progress in 2014/15	Live	Closed – proven	Closed – No Investigation	Closed – Referred	Closed – Advice given	Total 2014 Referrals	Live Cases C/Fwd from 2013
Procurement	2		2		2	6	1
Benefits (Blue Badge, Housing Ben etc)	1	1		2	1	5	1
Cash, Cheque or Credit Card Fraud/theft	1		1	1	5	8	
Abuse of LTax exemption	2					2	1
Employment			1	3	1	5	
Theft of physical assets					2	2	
Irregularity	1		1		1	3	
Total	**7**	**1**	**5**	**6**	**12**	**31**	**3**

4. Tenancy Fraud work

4.1 A greater awareness of tenancy fraud by both Neighbourhoods staff and the general public has resulted in continued high level of referrals. In response to this the Council continues its initiative to identify fraud, and to recover properties for re-let to people with genuine housing need:

Year	Referrals	Properties recovered	Value £
2010/11	174	22	1,188,000
2011/12	134	19	1,026,000
2012/13	141	24	1,296,000
2013/14	238	39	2,106,000
2014/15 to 23rd Dec 14	172	31	1,674,000
Total	**859**	**135**	**7,290,000**

4.2 In addition to the 31 property regains this year to date, 1 x right to buy application has been cancelled as a result of investigative work, 1 re-housing application has been cancelled and 1 application for an improved housing banding has been refused due to our work. The team should therefore be able to meet its target of 35 regains by the financial year end. This work is sufficiently funded for a further 3 years.

- *NB there are varying measures in use for valuing the cost of tenancy fraud. We have used the more conservative figure recommended by the National Fraud Authority of £18k per property and an average length of 3 years (£54k per property). The NFI are using a higher calculation of £75k per property.*

Referrals received 1 April 2014 to 30 September 2014 broken down by source of referral and type of fraud

Source of referral	Number	Type of fraud	Number
Proactive Work	25	Sublet	52
Hotline	8	Empty	49
Police/other agency/LA	2	False right to buy (RTB)	16
Previous Case	2	False succession	1
Registered Social Landlord	2	False rehousing application	10
Staff Housing	58	Other Breach of tenancy conditions (BOTC)	3
Staff Other	8		
Web form/email	26		
Total	**131**	**Total**	**131**

4.3 The Prevention of Social Housing Fraud Act has fully come into force, and not only makes sub-letting a criminal offence, but gives Local Authorities greater powers to access financial information about tenants where sub-letting is suspected which we currently do through the National Anti-Fraud Network. We are keen to take forward prosecution cases under the new act, and are awaiting legal advice to ensure that the appropriate delegated authority is in place to do so.

4.4 Further plans in this area include:

- Taking forward prosecutions under the new legislation
- Training to increase awareness of tenancy fraud in frontline staff, to help to prevent it.
- Further proactive exercises to identify tenancy fraud.

5. Proactive Fraud/Error and VFM Work

National Fraud Initiative (to be the responsibility of the Cabinet Office from 2015)

5.1 We continue to participate in the mandatory National Fraud Initiative (NFI) exercises, which involve the matching of data-sets with other Local Authorities' data, and with other sources of information such as the 'deaths register'. Activity in 2014/15 included:

- Council Tax Single Persons Discount – Output was received in July 2014. 3,285 possible cases were identified, of which 1,013 SPDs were cancelled (saving £409k).
- Main NFI – upload of 10 data sets completed. Results due February 2015.
- Council Tax SPD 2015 – extract and upload of data sets is in progress, output is expected in January 2015.

5.2 The 2014/15 NFI exercise included a new data set of Direct Payments/Personal Budgets, and it will be interesting to see the resulting output, as we consider this to be an area where there is a high potential for fraud. Problems that need to be considered by both the Cabinet Office and Local Authorities are how/whether we bring schools into the exercise. This year schools have been excluded, as they are no longer using the Council's main financial systems. The NFI is encouraging Local Authorities to include schools in the NFI exercise, but we need to carefully consider whether the results would justify the resource requirements of doing so. In addition we are currently considering how we will resource some initial screening of the NFI benefit cases, with the Benefit fraud team moving to the DWP in April 2015.

Other Proactive Anti-Fraud Work

5.3 We have also undertaken a number of our own proactive fraud/value for money exercises as detailed below and work continue in Local Taxation to identify and retore the debit resulting from fraudulent or erroneous Single Person Discount (SPD) claims:

- **Duplicate Payment Testing**: Our work in identifying duplicate payments last year highlighted this area as a problem. In response, a manual check of large value payments was introduced by Accounts Payable, which has stopped £900k of duplicate payments being made. We have continued to work with Accounts Payable, and produced regular duplicate payment reports. A further £97k has been identified from these, and we are continuing to run these reports until an 'off the shelf' solution is implemented in January 2015. We are assisting Accounts Payable with this implementation.

- **Supplier duplicate Testing:** A cause of some duplicate payments has been the 'set up' of a supplier more than once on the ABW system. We have run monthly reports to identify these, and have worked with Accounts Payable to remove the potential for error.

- **Continuous Data Matching/Audit:** We are working with the Performance and Information team on how we can utilise information held on Council systems for early identification, or prevention, of fraud.

- **NNDR:** Work on this has stalled due to resource constraints, but we are intending to use output provided by Equifax earlier in the year to identify whether any commercial entities are not on our Business Rates system.

- **SPD & Council Tax Exemptions:** Following the completion of the third of three reviews in April 2014, by Northgate Information Solutions in conjunction with Local Taxation, Single person discount to the value of £992,520.00 was removed from customers' accounts. Student exemptions numbers have remained relatively static but thorough checks continue to be carried out by Local Taxation staff.

Fraud Control Reviews

5.4 We are planning, or have in progress, a number of reviews in key fraud risk areas to identify the controls in place to prevent fraud, and evaluate their effectiveness:

- Homelessness
- Direct Payments
- Procurement

6. Outcomes from Investigation and Proactive Fraud/Error work

6.1 The current year financial benefit from counter fraud work across the Council is summarised below:

	Fraud/Error Area	No	Value £	Note
NFI	Single Persons Discount	1,013	409,660	Value of discount removed following review by Local Taxation of NFI output.
PROACTIVE FRAUD WORK	Tenancy Fraud work	31	1,674,000	Notional saving figure based on National guidance.
	Duplicate Payments		95,785	Recoverable amounts, of which £14,931 were prevented from being paid.
	Duplicate suppliers	47	0	Removed from ABW master file as duplicated.
RECOVERY FROM INVESTIGATIONS	Single Persons Discount		992,520	Value of discount removed following work done within Local Taxation in conjunction with Northgate.
	Single Persons Discount	1	537	Discount removed following investigation in audit.

	Direct Payment cancelled	1	6,717	Recoverable amounts

6.2 In summary, the value of investigation/anti-fraud work this year to date is estimated as follows. This clearly demonstrates the value of having a strong and dedicated approach to tackling fraud and error.

	Value £
Notional Valuation of Tenancy Fraud Work	1,674,000
Recoverable amounts identified	1,505,219

7. Governance – Fraud Prevention and Detection

Best Practice Assessments

7.1 The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption was published in 2014 (See Appendix A). The five key principles of the code align closely to those in Local Government's 'Fighting Fraud Locally Strategy' on which our Anti-Fraud and Corruption Strategy and Policy is based, so we are not intending to amend our document. The information below provides a brief comparison of the two documents key requirements to illustrate our compliance:

CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	Fighting Fraud Locally Strategy
Acknowledge the responsibility of the governing body for countering fraud and corruption	Acknowledging and Understanding the Fraud Risks Faced by the Council
Identify the fraud and corruption risks	
Develop an appropriate counter fraud and corruption strategy	Improving Fraud Prevention and Detection Measures
Provide resources to implement the strategy	
Take action in response to fraud and corruption	Pursuing Fraudsters and Recovering Losses

7.2 We have made some suggested amendments to the **Anti-Fraud and Corruption Strategy and Policy** to reflect our intention to undertake more of our own prosecutions in future, to acknowledge the move of the Benefit fraud team to the Department of Work and Pensions (DWP) in April 2015, and to respond to the Prevention of Social Housing Fraud Act. Minor amendments to reflect the move of the

Benefit fraud team will be made to the policy in April 2015. The policy with draft amendments (in blue and strike out) is at ***Appendix 1.***

7.3 We have assessed our arrangements against the **Audit Commission's "Fighting Fraud Checklist for Governance",** which is attached at ***Appendix 2.***

7.4 We have also reviewed our arrangements against the `**National Fraud Initiative – A checklist for Elected Members and Decision Makers**' – **Appendix 3**. We have participated in the NFI exercises since they commenced, and have always been in the forefront of success in comparison with others in the South West region. We feel that other aspects of counter fraud work, particularly early identification or prevention, are of equal, or more, importance.

7.5 Some key actions identified from our assessment against the checklists and code of practice are:

- Increasing the fraud awareness of staff
- Ensuring our Whistleblowing arrangements are in line with best practice, to encourage staff to report fraud and irregularities, including undertaking a survey to establish confidence in arrangements.
- Reviewing procurement arrangements, where we continue to receive a large number of referrals, and where proving actual fraud is particularly difficult.
- Understanding fraud controls around Personal Budgets, and considering other data matching exercises in this area.
- Work in areas not previously looked at such as Social Fund and Grants – although the value and extent of investigations have not been significant in these areas.
- Review of our Cyber Security arrangements, so as to minimise threats.
- Using intelligence we have regularly to identify the fraud profile of the Council and ensure proactive work continue to be targeted most effectively.

Transparency Code

7.6 From February 2015 Local authorities must publish the following information about their counter fraud work, as required by the Transparency Code:

- number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated.

7.7 We will be publishing this information annually, commencing with 2013/14 statistics which will be published by February 2015. We will also publish the non-mandatory fraud data, included in the code, for 2014/15.

8. Information Sharing

8.1 We have dealt with a total of 114 intelligence requests through the Gathering Information Network, or Extending our Reach network, since January 2014, assisting the police and other regulatory bodies in their investigations. This work is not

specifically fraud related, but Internal Audit acts as a co-ordinator in assisting the police with intelligence for various offences, including human trafficking, missing persons, drug dealing etc. Occasional financial benefits accrue from this work, but, more importantly, it enables us to build a network of useful contacts..

8.2 We continue to attend regional and national fraud groups and events to maintain on-going awareness of fraud issues.

9. Emerging Issues from Fraud Investigation Work

9.1 The 2013/14 Internal Audit Annual Report to SLT identified that there were some common areas where poor internal control processes had allowed fraud or error to occur. We continue to work with management to improve controls in these areas to reduce the fraud risks to the Council.

Income - Financial reconciliations

9.2 Regular, timely, reconciliations to ensure that monies collected are banked, and correctly recorded in the accounting system, are a key control to detect fraud or error at the earliest opportunity. Investigation work identified a recurring problem with reconciliation processes for Parking income, Markets income, and Scan coin receipts. Flaws in cash control processes could have allowed discrepancies to go unnoticed.

9.3 Internal Audit are confident that good progress is being made by Financial Management to ensure that robust processes are in place to allow for early identification of discrepancies.

Procurement Fraud (Corruption and Bribery cases)

9.4 Two to three allegations of bribery/corruption and procurement fraud involving staff are received in Audit every year. Bribery and Corruption is notoriously difficult to prove, as it happens outside of our records and systems. There can be many indicators, but it is difficult in finding hard evidence. At the least we use the investigation to help improve the control environment. A small number of investigations have been successful in recent years, largely due to real, usable, evidence, rather than just hearsay, being provided by a whistle-blower.

9.5 Procurement regulations are in place to try to ensure fairness of treatment of contractors/ potential contractors, good value for money for the authority, and to minimise the risk of fraud. However, non-compliance and the use of waivers provide greater opportunity for fraud (bribery and corruption) and favouring of contractors, with no assurance that value for money has been achieved. It also creates ill feeling amongst contractors, who do not feel they get equal opportunities. We are currently working with the procurement team to ensure processes around waivers are robust, and that changes to Procurement Regulations take account of the fraud risk.

Schools

9.6 Internal Audit undertakes investigations in 2-3 schools per year, where money has been stolen or some other irregularity has occurred. (Examples are, contracts awarded to friends without proper procurement, or jobs given to family members without recruitment). These frauds are generally small scale, but distressing to staff involved, and damaging to the reputation of the school. They also cost the Council in terms of audit, management and HR time. This has highlighted a need to undertake

more work within schools to increase awareness of fraud and how to prevent it. We are planning to utilise the Schools Fraud checklist to do this, and will also provide thematic reports of issues to all schools early next financial year.

10. Summary and Conclusion

10.1 Whilst there are always improvements that can be made, and we continue to learn and develop from the best practice of others, our counter fraud arrangements reflect best practice, and continue to provide an effective response to fraud within the authority.

10.2 The fraud risks are generally well managed by the authority with greater emphasis being placed on preventative and early detection work in new or high fraud risk areas..

10.3 The restructured Audit investigations and counter fraud team , once fully staffed, will continue to provide the foundation for an effective Corporate Counter Fraud team for the Council.

Other Options Considered

None necessary

11. Risk Assessment

11.1 Failure to have robust counter fraud arrangements will increase the Council's susceptibility to fraud, and will result in loss of public money.

11.2 The resource reduction across the Council could result in reductions in fraud checks.

12. Equalities Impact Assessment

12.1 None necessary for this report .

13. Legal and Resource Implications

13.1 Legal – awaiting advice on prosecutions.

13.2 Resource implications – to be noted that the work of the Audit investigations and counter fraud team has been paid for by its results.

Appendices

Appendix 1 Anti-Fraud and Corruption Strategy and Policy

Appendix 2 Checklist for councillors and others responsible for governance Fighting Fraud Checklist for Governance

Appendix 3 National Fraud Initiative – A Checklist for Elected Members and Decision Makers

LOCAL GOVERNMENT ACCESS TO INFORMATION

Background Papers:

- Audit Commission: Protecting the Public Purse 2014
- CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

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Appendix 1

Anti fraud, bribery, and corruption strategy and policy

Managing the risk of Fraud

Version 1.0 issued January 2012
Version 1.2 issued January 2014
Version 1.3 issued January 2015

Fraud Hotlines:

Benefit Fraud 0500 554535
Other Fraud 0117 9222470

Or e-mail:

Tenancy.Fraud@bristol.gov.uk

Benefit.investigations@bristol.gov.uk

Internalaudit@bristol.gov.uk

1. **Anti-Fraud, Bribery and Corruption Strategy 2013 and 2014**
2. **Anti-Fraud, Bribery and Corruption Policy**
    1. Purpose
    2. Underlying Principles
    3. Definitions
    4. Responsibilities
    5. Reporting Fraud
    6. Investigation of Fraud
    7. Actions Taken when Fraud is Established
    8. Data-matching and Data-sharing
    9. Review
3. **Detailed Responsibilities**
4. **Fraud, Bribery and Corruption Governance Arrangements**

Links to Related Policies and Procedures:

- Fraud notification form and Investigation Guidance
- Anti-Money Laundering Polic and Guidance
- Whistleblowing Policy
- Benefit Fraud Prosecution Policy
- Regulation of Investigatory Powers Act Policy and Procedures
- Members' Code of Conduct
- Employee Code of Conduct

- Financial Regulations
- Procurement Regulations

Anti-Fraud, Bribery and Corruption Strategy ~~2013 and 2014~~

1. The City Council has for many years had a strong approach to Fraud and Corruption with polices and processes designed to prevent, detect and punish fraud. Indeed, the Council is well regarded as a lead local authority in tackling some areas of fraud

2. However, against a backdrop of economic downturn, reduced public spending and significant changes to service delivery methods, fraud and corruption are increasing. The Government has made it clear that it expects both central and local government departments to take the issue of fraud seriously and do more to tackle the losses to fraud from public sector funding.

3. The National Fraud Authority (NFA) has devised a National Fraud Strategy for Local Government - 'Fighting Fraud Locally'. This makes recommendations to both central and local government which should enhance the fight against fraud, based around five key themes:

- Culture - a zero tolerance approach to fraud.
- Collaboration - working together better.
- Consistency - standardising counter-fraud practices.
- Accountability - taking responsibility for fraud.
- Transparency - honesty about fraud.

4. Additionally, it identifies three key areas in countering fraud and corruption as detailed below. An overview of the Council's arrangements to demonstrate our alignment to these core strands of the national strategy can be seen in Fraud, Bribery and Corruption Governance Arrangements. text version / interactive graphic version.

Acknowledging and Understanding the Fraud Risks Faced by the Council:

- Developing and maintaining a better understanding of current and emerging fraud risks and how resilient the Council is to them.
- Determining the Council's fraud loss profile and ensuring the appropriate levels of resource is invested in counter-fraud work.
- Improving reporting, recording and measurement of fraud and irregularity affecting the Council.
- Reviewing the adequacy of training arrangements in relation to counter-fraud staff.
- Supporting collaborative working and information sharing about fraud and fraudsters.

Improving Fraud Prevention and Detection Measures:

- Making better use of data and technology to prevent and detect fraud.
- Developing data and intelligence sharing protocols.
- Fraud-proofing our services, systems and procedures.
- Targeting proactive fraud work at high risks areas that are likely to generate good returns for the resource invested.
- Reviewing the effectiveness of counter fraud work as a contribution to the Council's financial reduction strategy.
- Developing a stronger anti-fraud culture across the Council and other delivery agents.
- Making better use of publicity opportunities as a deterrent to fraudsters.
- Reviewing new legislative arrangements that impact on major systems.
- Targeting new and emerging areas of fraud risk and developing sound systems that mitigate the risks.

Pursuing Fraudsters and Recovering Losses

- Working towards a more consistent and supportive law enforcement response and improved capability to investigate and sanction fraud.

5. ~~5.~~ The progress against and effectiveness of this strategy will be reviewed biennially. Some of the actions included are dependant on the Government addressing fraud governance issues at a national level. Additionally, as the regulatory regime develops, the strategy and arrangements for tackling fraud will become more dynamic.

Anti-Fraud, Bribery and Corruption Policy

1. Purpose

1.1 The purpose of this Policy is to set out clearly to the public and also to Councillors, employees, contractors, and organisations who work with the Council:

- The Council's commitment to tackling fraud, bribery, and corruption.
- The responsibilities of Councillors and employees to report any suspicions they have.
- The importance of the public in tackling fraud.

1.2 Other relevant policies include:

- Fraud notification form and Investigation Guidance
- Anti-Money Laundering Polic and Guidance
- Whistleblowing Policy
- Benefit Fraud Prosecution Policy
- Regulation of Investigatory Powers Act Policy and Procedures
- Members' Code of Conduct
- Employee Code of Conduct
- Financial Regulations
- Procurement Regulations

2. Key Principles

2.1 The Council will not tolerate fraud, bribery or corruption.

2.2 The Council expects that Councillors and officers at all levels will lead by example to ensure high standards of propriety, integrity and accountability.

2.3 The Council expects that the majority supports the fight against fraud and that individuals and organisations with whom it comes into contact will act with integrity towards the Council.

2.4 The Council understands the fraud risks it faces and will implement policies and procedures to identify and prevent fraud, bribery and corruption, but will also take all action necessary to identify it.

2.5 The Council will take appropriate action against those responsible for fraud and where possible recover losses incurred.

2.6 Members of the public are asked to contribute to the Council's fight against fraud by remaining vigilant to the potential for fraud and reporting it where they suspect the Council is being targeted. Employees and Councillors have a duty to do so, and concerns should be raised when it is reasonably believed that one or more of the following has occurred, is occurring or is likely to occur:

- A criminal offence.
- A failure to comply with a statutory or legal obligation.
- Improper or unauthorised use of public or other official funds.

2.7 Investigators must be fair, independent and objective. They must not let

any political views or personal views about ethnic or national origin, sex, religious beliefs, or the sexual orientation of the suspect, victim or witness influence their decisions. They must not be affected by improper or undue pressure from any source.

3. Definitions - What is Fraud, Bribery and Corruption?

3.1 **The Fraud Act 2006** (which became effective on 15 January 2007) created a general criminal offence of fraud and identified three main ways it can be committed:

- Fraud by false or misleading representation.
- Fraud by failing to disclose to another person information which he is under a legal duty to disclose.
- Fraud by abuse of a position of trust.

3.2 The Act also created four related criminal offences of:

- Possession of articles for use in frauds.
- Making or supplying articles for use in frauds.
- Participating in fraudulent business.
- Obtaining services dishonestly.

3.3 **The Theft Act 1968 and the Forgery and Counterfeiting Act 1981** define offences of:

- Theft
- False Accounting
- Forgery

3.4 **The Bribery Act 2010** contains two general offences:

- Section 1 - the offering, promising or giving of a bribe (active bribery);
- Section 2 - and the requesting, agreeing to receive or accepting of a bribe (passive bribery)

  it also sets out two further offences which specifically address commercial bribery:
- Section 6 - creates an offence relating to bribery of a foreign public official in order to obtain or retain business or an advantage in the conduct of business;
- Section 7 - creates a new form of corporate liability for failing to prevent bribery on behalf of a commercial organization.

3.5 The Prevention of Social Housing Fraud Act 2013 makes the act of sub-letting a 'Local Authority'or other 'registered social landlord' property, a criminal offence.

4. Responsibilities

4.1 The Accounts and Audit Regulations (England) 2011 require the Council to have appropriate control measures in place to enable the prevention and detection of inaccuracies and fraud. The Council is committed to an effective anti-fraud approach designed to reduce losses to fraud by:

- Acknowledging and understanding fraud risks faced.
- Preventing fraud happening and detecting it when it does occur.
- Pursuing and punishing fraudsters and recovering losses.

4.2 Detailed roles and responsibilities in relation to fraud are set out in Detailed Responsibilities.

5. Reporting Fraud

5.1 The ultimate aim is to prevent fraud at the outset, however, despite our best attempts determined fraudsters may succeed.

5.2 If fraud, bribery or corruption is suspected, it should be reported without delay to a line manager or other senior officer, or to Internal Audit.

5.3 Information can be reported via the fraud hotline, this can be done anonymously if required.

5.4 Allegations re schools should be reported initially to the Chair of Governors of the school or, if this is not appropriate, the Service Director (Education).

5.5 The investigation process will follow the procedure set out in Internal Audit's Investigation Protocol.

5.6 Useful contact numbers for reporting fraud are as follows. A fraud notification form is also available on the Source.

Chief Internal Auditor	0117 9222448 /22063
City Director	0117 9224888
Monitoring Officer (Head of Legal Services)	0117 9222839
A 24 hour confidential Fraud Hotline. Callers leaving their contact details can assist investigations but allegations can also be made anonymously.	0117 9222470
Outside bodies eg Public Concern at Work will give free and independent advice on how to proceed	020 74046609

5.7 The Investigation Protocol is designed to ensure that Internal Audit:

- Applies a consistent approach.
- Assigns appropriately experienced staff to investigate fraud depending on the type and nature of the fraud.
- Maintains records of all fraud experienced to inform an assessment of the Council's fraud risks.

5.8 The confidential nature of fraud investigations mean that updates cannot usually be provided to those who have reported allegations. All allegations will be taken seriously and where there is evidence to support an allegation, fully investigated. Police will be involved where appropriate.

LACK OF APPARENT ACTIVITY DOES NOT MEAN AN INVESTIGATION IS NOT IN PROGRESS. SOME INVESTIGATIONS REQUIRE DISCREET ENQUIRIES

6. Investigation of Fraud

6.1 The investigation of fraud, bribery and corruption is a complex and specialist area and will usually be undertaken by staff in Internal Audit or, for less complicated cases, managers, under advice from Internal Audit.

6.2 To facilitate audit work and investigations, Internal Audit staff are accorded rights, by the Accounts and Audit Regulations (England) 2011, to access all necessary documents, records, information and explanations from any member of staff. These access rights are confirmed in Financial Regulations.

6.3 The investigation process is set out in the Investigations Protocol avalable on the Source.

7. Actions Taken When Fraud is Established

7.1 Disciplinary, civil and criminal sanctions will be used, as appropriate to each case, in punishing fraud and recovering losses.

7.2 Fraud, bribery, corruption and theft by Councillors or staff will be regarded as gross misconduct. Disciplinary action will be taken against staff, and Councillors' misconduct will be dealt with by an independent person and the Audit Committee.

7.3 One option available to the Council is criminal prosecution. We recognise that this is a serious step to take and the decision to refer cases for prosecution will not be taken lightly and may involve Audit Management, Legal Services and Directorate Management.

7.4~~3~~ The ultimate decision on prosecution will be taken by the prosecuting body which in some cases will be the Council or the Crown Prosecution Service. The Council's Financial Investigators and/or the Police will be utilised in cases where their additional powers are required to secure evidence or recovery of funds or where the matter cannot be fully pursued in-house.

7.5 ~~Where there is evidence to suggest a criminal offence has been committed against the Council, the matter will be passed to the police for criminal investigation and prosecution as appropriate. Referral will be by the Chief Internal Auditor in consultation, as necessary, with Legal Services and Strategic Directors.~~ Sanctions taken against benefit fraud are dealt with in the Benefit Fraud Prosecution Policy until 1st April 2015 when Benefit fraud investigators move to the DWP. After this time Council Tax reduction fraud will fall under this policy.

7.6 In determining whether to prosecute each case will be considered on its own facts and merits.

7.7 Where necessary, the Council will work in co-operation with other organisations such as the Police, Department for Work and Pensions, Home Office, Her Majesty's Revenue and Customs, other Local Authorities and departments of Bristol City Council.

7.8 When considering a case for prosecution it is generally accepted that there are two "tests" to be applied – the evidential test and the public interest test. These are set out in The Code for Crown Prosecutors.

- Evidential Stage Test - Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. A case will not go forward for prosecution if it fails this test.
- Public Interest Test - A prosecution will usually take place unless the prosecutor is sure that there are public interest factors tending against prosecution which outweigh those tending in favour, or is satisfied that the public interest may be properly served, by offering the offender the opportunity to have the matter dealt with by an out-of-court disposal.

7.8~~4~~ All avenues for recovering losses will be considered, including confiscation under the proceeds of crime act, civil claims, recovery from accrued pensions and appropriate insurance claims.

7.9~~5~~ Publicity will be used as a deterrent. Public statements must be made through the Council's Marketing and Communications Team.

8. Data-matching and Data-sharing

8.1 The Council will use information provided by Councillors, employees, service users and suppliers in the prevention and detection of fraud. Data matching exercises are undertaken, both internally, locally and nationally to facilitate investigation of fraud.

8.2 All data extraction and use adheres to Data Protection legislation, and has regard to the confidentiality of information.

9. Review

9.1 These arrangements will be reviewed annually ~~biennially~~ to ensure the Council remains resilient to the changing and growing fraud threat to it.

Detailed Responsibilities

Group/ Individual	Responsibilities
1. Mayor & Councillors	• A duty to the citizens of Bristol to protect the Council and public money from any acts of fraud and corruption. • Compliance with the Code of Conduct for Members, the Council's Constitution, including Financial Regulations and Procurement Regulations, in particular the requirements regarding interests, gifts, and hospitality. • Avoid situations where there is a potential for a conflict of interest. • Report fraud, bribery or corruption where it is reasonably suspected that the Council is being targeted.
2. Audit Committee	• Provide assurance on the anti-fraud arrangements to Council and sign off the Annual Governance Statement regarding fraud issues specifically. • Approval of the Anti-Fraud, Bribery and Corruption Strategy and Policy.
3. Strategic Directors	• Support the maintenance of a strong culture where fraud, bribery and corruption is unacceptable. • Notify the Chief Internal Auditor immediately of any fraud or irregularity.
4. Service Director: Finance	• Ensure that effective procedures are in place for the prompt investigation of any fraud or irregularity.
5. Managers including Head Teachers and senior school staff	• Ensure they, and their staff, understand the fraud risks faced in delivering services by maintenance of a fraud risk assessment. • Implement and maintain an effective control environment to prevent fraud, commensurate with the level of risk identified. • Communicate the requirements of this and related policies (refer to paragraph 1.2 of the Policy) in their work area. • Create an environment in which staff feel able to report concerns of suspected fraud. • Advise Internal Audit of any suspected cases of fraud and carry out or assist in the investigation of it as required. Advise Internal Audit of the outcome of any cases investigated.
6. Business Change Programme Managers	• As Managers • Ensure fraud prevention controls are built in to new service delivery methods, systems and processes.
7. All Employees irrespective of status	• Be aware of the possibility that fraud, bribery, corruption and theft may exist in the workplace and report it where they reasonably suspect the Council is being targeted. • Avoid situations where there is a potential for a

	conflict of interest • Comply with the Council's policies and codes as detailed in paragraph 1.2 of the Policy.
8. Internal Audit	• Maintain an overall fraud risk assessment on behalf of the Council and review the effectiveness of the Council's response to the risks faced. • Deliver an opinion to the the Service Director Finance, the Executive Member and the Audit Committee on the Council's fraud risk management, control and governance arrangements. • Undertake an annual programme of pro-active fraud work designed to prevent and detect fraud. • Ensure cases of suspected irregularity, fraud or corruption are effectively investigated and punished by appropriate sanctions in liaison with the Police, Legal Services and HR. (Exception: housing benefit fraud). • Instigate recovery action wherever possible to recoup the losses on behalf of the Council. • Maintain a 24-hour Fraud Hotline (0117 9222470) • Advise management on procedural improvements required to prevent occurrence or recurrence of fraud. • Develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies.
9. Benefit Investigation Team	• Undertake all benefit fraud investigations, in accordance with legislation and agreed codes of conduct • Apply sanctions in accordance with the Prosecutions Policy • Work with Internal Audit, HR and appropriate senior management in cases where employees are involved, to ensure that correct procedures are followed under the Code of Conduct for Employees and the Council's Disciplinary Procedure. • Maintain a 24-hour Benefit Fraud Hotline (0500 554535).
10. Human Resources	• Provide timely advice and guidance on Council Policies and procedures during investigations and any disciplinary action • Ensure recruitment procedures to be applied by Managers are effective in the verification and validation of information submitted by applicants prior to appointment. Eg eligibility to work, verification of qualifications and employment history, Criminal Records Bureau checks where appropriate.
11. Head of Legal Services	• Advise Councillors of new legislative or procedural requirements regarding conduct and ethical matters. • Maintain a register of Members interests, gifts and

	hospitality declared • Take criminal and civil actions to ensure appropriate sanctions are applied. • Provide advice on potential criminal cases.

Anti fraud, bribery and corruption governance arrangements text version / interactive graphic version

Fighting Fraud Checklist for Governance

Protecting the public purse 2014

October 2014

audit commissio

i) General	Yes	No
1. Do we have a zero tolerance policy towards fraud?	☑	☒
Where we have sufficient evidence we involve the police or take our own prosecution. We are looking to prosecute more cases under the new Prevention of Social Housing Fraud Act.		
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	☑	☒
Our strategy is reviewed annually and is aligned to Fighting Fraud locally.		
3. Do we have dedicated counter-fraud staff?	☑	☒
The counter fraud investigation team is staffed with a mix of Auditors and Investigators.		
4. Do counter-fraud staff review all the work of our organisation?	☑	☒
The team will respond to allegations of fraud across the organisation and proactive fraud work is aimed at key fraud risk areas across the organisation based on an assessment of fraud risk.		
5. Does a councillor have portfolio responsibility for fighting fraud across the council?	☑	☒
The Deputy Mayor/Cabinet Member – Finance and Resources has executive responsibility for championing fraud matters and the Audit Committee has a responsibility for assurance over counter fraud arrangements within Bristol City Council.		
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	☑	☒
Regular reports are produced by both the Benefit Fraud Manager and the Corporate Fraud Team Manager, in addition quarterly reports are produced summarising fraud investigation and proactive fraud work in progress or completed.		
7. Have we received the latest Audit Commission fraud briefing presentation from our external auditor?	☑	☒
The briefing was presented to the Audit Committee of June 14. It demonstrated that Bristol has tackled key fraud risk areas well. One area for further work going forward is Blue Badge abuse.		
8. Have we assessed our management of counter-fraud work against good practice?	☑	☒
We annually review our arrangements against this checklist. We have reviewed against the new CIPFA (Chartered Institute of Public Finance and Accountancy) - Code of Practice on Managing the Risk of Fraud and have completed the National Fraud Initiative Governance checklist. We have reviewed the Council's whistleblowing arrangements against the International Standard and have identified where our arrangements do not comply. We are members of NAFN (National Anti-fraud Network) and receive updates to legislation etc via their Website. We share best practice through Core Cities group, the West of England Fraud Group and other networking groups. Actions arising from these reviews will form part of the forward Counter Fraud strategy.		
9. Do we raise awareness of fraud risks with:		
• new staff (including agency staff)?	☑	☒
Fraud awareness training does not cover all new staff but does cover four levels of Manager and staff in high risk areas.		
• existing staff?	☑	☒

Fraud awareness session have taken place in high fraud risk areas such as Procurement. Action: Further areas planned include: • Customer service points • Enforcement and Dog Wardens • Caretakers • Schools		
• elected members? (NB Members receive the Fraud Update Report to raise awareness)	☑	☒
• our contractors?	☑	☒
Action: To include a review of tender documentation and consideration of a supplier code of practice in 2015-16 plan.		
10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	☑	☒
We are members of NAFN, Laiog, Core Cities and the West of England Fraud group. We use all of these networks to share ideas, concerns, and best practice on fraud.		
11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	☑	☒
Through the West of England Fraud group and NAFN we are very effective in sharing information about fraud risks and fraudsters.	☑	☒
12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	☑	☒
Our counter fraud team has been structured with a mix of Investigators and Auditors to ensure that we not only detect fraud, but we look at how we can prevent it in the future. We use 'issues notes' to alert management at an early opportunity to weaknesses that could result in fraud. In addition we have some fraud prevention control reviews built into the audit plan, for high fraud risk areas (Homelessness, Direct Payments).		
13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?	☑	☒
We have taken part annually in the National Fraud Initiative and review the output reports. We have had success from this every year. (See Appendix 3 to Fraud Update Report)		
14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	☑	☒
We have had a Money Laundering Policy in place since 2012. The policy is in need of updating. We have had very few cases of potential money laundering to report. Action: Money laundering policy to be reviewed, updated and re-launched in 2015.		
15. Do we have effective arrangements for:		
• reporting fraud?	☑	☒
We have an anti-fraud and whistleblowing policy. There is work to be done to bring the Council's whistleblowing policy in line with best practice. This work was planned for 14-15 but has not yet commenced due to other priorities.		
• recording fraud?	☑	☒
Our fraud recording has improved with the introduction of a separate team managing investigations within Internal Audit. It is possible that some small scale frauds are not reported to Internal Audit.		
16. Do we have effective whistle-blowing arrangements? In particular are staff:		
• aware of our whistle-blowing arrangements?	☑	☒
The whistleblowing policy is available to staff on 'The Source'.		

• confident in the confidentiality of those arrangements?	☑	☒
We are aware of 3 recent occasions where concerns about our ability to protect whistle-blowers has been raised and in 2 occasions referrals have been anonymous, quoting this to be the reason. However there is sometimes an unrealistic expectation on the part of whistle-blowers, which has to be considered. Action: Consider on-line survey for staff on their confidence in whistleblowing arrangements.		
• confident that any concerns raised will be addressed?	☑	☒
As above.		
17. Do we have effective fidelity insurance arrangements?	☑	☒
We have £20m fidelity guarantee for key designated officers and £1m for all other employees.		
ii) Fighting fraud with reduced resources		
18. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once SFIS has been fully implemented?	☑	☒
The team has been structured in such a way as to provide for a counter fraud capability after staff have moved over to the DWP, although we will be losing benefit fraud investigation expertise.		
19. Did we apply for a share of the £16 million challenge funding from DCLG to support councils in tackling non-benefit frauds after the SFIS is in place?	☑	☒
We applied for funding for the following: Fraud Prevention Officer (BCC bid) ID Verification Software (BCC bid) Data matching/warehousing (BCC lead in partnership with ex Avon authorities) Shared pool of expertise (NSomerset with ex Avon authorities in partnership) Open Book Accounting (Partnership bid with Core Cities)		
20. If successful, are we using the money effectively?	☑	☒
Our bids were unfortunately unsuccessful although many successful bids were along similar lines to our own or for initiative already implemented in Bristol. Regardless of this we are taking forward some of the ideas as far as resources permit.		
iii) Current risks and issues		
Housing tenancy		
21. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	☑	☒
There is a change to previous procedure in that checks are being made at the sign up stage rather than the application stage. We need to ensure that staff undertaking this have been adequately trained.		
22. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	☑	☒
We have an effective counter fraud arrangement against tenancy fraud which has been in place since 2010. We have regained 31 properties to date this year and 135 in total since tenancy fraud investigations commenced.		
Procurement		
23. Are we satisfied our procurement controls are working as intended?	☑	☒
We are aware of problems with procurement controls with waivers being commonplace rather than an exception and waivers being granted retrospectively rather than up front. In addition we have 2-3 allegations of bribery and corruption annually suggesting that our fraud controls are not sufficiently effective.		
24. Have we reviewed our contract letting procedures in line with best practice?	☑	☒
We are unclear what 'best practice' is being referred to, but Internal Audit do regular reviews of procurement areas and make recommendations from investigation work.		
Recruitment		

25. Are we satisfied our recruitment procedures:		
• prevent us employing people working under false identities?	☐	☒
The responsibility rests with individual managers who may have received limited/no training on what to look for.		
• confirm employment references effectively?	☑	☐
This is done by HR.		
• ensure applicants are eligible to work in the UK?	☐	☒
Checks are carried out, but may not be sufficiently robust to protect against recruitment fraud as the checks are undertaken by individual managers who have limited experience of fraud and will unlikely be trained in this area. Action: We are exploring the possibility of purchasing ID documentation checking software for the authority. Work included in next years plan to improve checking for recruitment fraud.		
• require agencies supplying us with staff to undertake the checks that we require?	☑	☐
Personal budgets		
26. 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?	☐	☒
Direct payment team have recently introduced financial audits of some of the higher value Direct Payments. Training of Direct Payment staff in financial and employment law is an area which is currently under discussion. Internal Audit have had a small number of investigations which have given rise to concerns about controls over personal budgets. We are raising issues with management as we identify them. We also have in the 14-15 plan a review of fraud controls in this area.		
27. 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?	☐	☒
The Whistleblowing Policy is an HR policy for staff and would apply to all areas of fraud. We have no specific arrangements for citizens re direct payments and will consider this in the planned review.		
Council tax discount		
28. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	☑	☐
For single persons discount (SPD), we use NFI output and also run a biannual exercise using a credit reference agency. In addition we are currently exploring with ICT the potential of bringing together data from several council systems as a method of earlier identification of wrongly claimed SPD. We have good control processes for student exemptions.		
Housing benefit		
29. When we tackle housing benefit fraud do we make full use of:		
• The National Fraud Initiative?	☑	☐
• The Department for Work and Pensions Housing Benefit matching service?	☑	☐
• internal data matching?	☑	☐
• private sector data matching?	☑	☐
Other proactive work has included reviews of overpayments and employer audits. The work of the Benefit Fraud team is reported to Audit Committee twice yearly.		
iv) Other fraud risks		
30. Do we have appropriate and proportionate defences against the following fraud risks:		
• business rates?	☑	☐

We have visiting officers who check properties for indication of a business operating undeclared. We are using very raw output from Equifax (a pilot study that they could not resource sufficiently) to establish whether the visiting officer arrangement is sufficiently effective.		
• Right to Buy?	☑	☒
All 'Right to buy' applications are vetted by our tenancy fraud investigators before they are allowed to proceed.		
• council tax reduction?	☑	☒
Council tax reduction has continued to be investigated by the Benefit fraud team. Arrangements following their move to DWP are being considered. Action: Allocation to be included in annual plan to investigate CTR referrals.		
• schools?	☑	☒
Action: We are planning to do more work with schools in the 15-16 plan and to promote the school health-check questionnaire to make school staff and management more fraud aware.		
• grants?	☑	☒
The level of grants has greatly reduced over the years and there are higher fraud risk areas to tackle before we do anything here.		

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Appendix 3

A Checklist for Elected Members and Decision Makers in Councils in England

National Fraud Initiative

August 2014

audit commission

This checklist is designed to help you to analyse your council's results from the National Fraud Initiative (NFI) 2012/13 exercise. The checklist supports the information and outcomes slide pack sent to elected members and decision makers in England with responsibility for NFI. The questions are divided into five sections and are designed to help you assess how the NFI is integrated into your council's processes and counter-fraud polices:

- **Reviewing your results**
- **Maximising the benefits of the NFI**
- **The NFI in our council**
- **Broadening your council's engagement with NFI**
- **The NFI fit with wider counter-fraud policies**

If you want to find out more about the NFI, go to our web page where you will find a copy of the June 2014 national report as well as other useful information.

Section	Question	Answers / Actions
1	**Reviewing the results in your slide pack** • What were our outcomes from the most recent NFI exercise? • How do we compare to other similar councils? • Are there areas where we appear to perform well/did not perform well?	**<u>12/13 Main NFI Exercise</u>** **18 Duplicate Payments – £94105** **Benefits - £123,473.55** Students: 10 overpayments, 2 cautions 3 prosecutions £87570.29 Payroll 3 overpayments, 1 prosecution £24899.48 Pensions 2 overpayments, 1 sanction (Adpen) £11003.78 **1 Tenancy regain - £54,000 (notional figure)** **427 Concessionary bus passes cancelled** **Total Savings: £271579.11** **<u>2014 Single Persons Discount Exercise</u>** **1,013 SPDs cancelled with value £409,660** We benchmark our NFI results with other LA's in the West of England through a fraud group. We have more success from NFI than most. We would welcome NFI publishing national results as there are some data matches that we have had no success with and question their value. The uploading of datasets is resource intensive and it would be helpful to know if other Local Authorities are having success where we are not. We always have good results from NFI on duplicate payments and Single Persons Discount and are working with service managers to improve preventative measures here.

2	**Maximising the benefits of the NFI** • Are data matches followed up promptly? • Are funds being successfully recovered? • Do we prosecute where possible? • What assurances or conclusions do we draw from the NFI about the effectiveness of internal controls and the risks we face? • What changes, if any, have we made as a result of these conclusions?	Yes – within the financial year they are received. Yes Yes We have recognised that the controls over duplicate payments were less effective in ABW and have worked with Accounts Payable to produce regular duplicate payment reports and to assist with the implementation of a software solution. The Council has recognized the value of regular data matching to identify local taxation discount fraud and error. Staff in local taxation work regularly and routinely with Northgate Information Solution to tackle this cost effectively.
3	**The NFI in our council** • What governance arrangements do we have in place to ensure we achieve the best possible outcomes from the NFI and who monitors them? • Is the NFI included in the remit of our audit committee or equivalent committee? • How do we keep other elected members or non-executive members informed about the NFI? • How is the NFI reflected in the governance training and development provided for officers and elected members?	The NFI results are reported annually to the Audit Committee in the Annual Fraud report. The external Auditors review progress with NFI output and we benchmark our results against other West of England Local Authorities through the WOE fraud group. As above. In addition, the Cabinet Member – Resources receives the report. Their wider governance role for fraud prevention (not just NFI) would be covered.

4	**Broadening your council's engagement with NFI** • Did we participate in the subsidised personal budget (direct payments) to deceased data pilot and housing benefits to student loans pilot matching that the NFI offered in October 2013? If not, why not? • Are there any potential pilot matches we want to suggest to the NFI team? • Have we considered how we could use the NFI flexible data matching service to prevent fraud or detect fraud sooner?	No – Personal Budgets were to be included in the main NFI exercise, so we did not consider it good use of resource to do it twice in one year. Yes – and have done so in terms of a match of `tenants to deceased`. We understand the legal position is being checked. Yes - we had planned to use the flexible matching service for 'tenants to deceased' (as above), but it was unavailable. We have our own skills in data matching and therefore have not found a need to use the flexible matching service for any internal data matching. It is most useful if it provides access to data we do not have and which is not part of the main NFI exercise. We are working currently on using the information stored in the Council's own systems to provide a continuous process for identifying fraud starting with Single Persons Discount.

5	**The NFI fit with wider counter-fraud policies** • Do we have an elected member for counter fraud activity and the NFI? • How does the NFI influence the focus of our counter fraud work? • Do we publicise the outcomes from the NFI externally?	Yes – Deputy Mayor/Cabinet Member – Finance and Resources Our fraud risk assessments and other sources of information largely influence our counter fraud work. The NFI work may identify an area where control processes have weakened and our risk assessments are updated to reflect that. No – results are generally not significant enough to publicise NFI specifically. We do however consider publicizing anti-fraud work generally of which NFI may be included and have previously had several mentions of best practice in previous Audit Commission publications which we have used for positive publicity internally to staff.

If you have any questions regarding the NFI please contact the NFI team via nfiqueries@audit-commission.gsi.gov.uk or telephone **0303 444 8322.**