

Agenda Item No: 10 **Report No:** 146/13

Report Title: Annual Report on the Council's work to combat Fraud and Corruption 2012/13

Report To: Audit and Standards Committee **Date:** 23 September 2013

Ward(s) Affected: All

Report By: Head of Audit and Performance

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Purpose of Report:

To inform Councillors on the adequacy and effectiveness of the Council's systems to combat fraud and corruption during 2012/13.

Officers Recommendation(s):

- 1 To receive the report and note the measures that are in place to prevent fraud and corruption (see Section 3).
 - 2 To note the measures to report and investigate suspected cases of fraud and corruption (see Section 4).
 - 3 To note the absence of fraud and corruption at the Council, except for those cases of benefits fraud identified and actioned by the Fraud Investigation Team within Revenues and Benefits (see Section 6).
 - 4 To reaffirm the Council's zero tolerance to fraud and corruption.
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Reasons for Recommendations

- 1 The remit of the Audit and Standards Committee includes the duties to keep under review the probity and effectiveness of internal controls, and to monitor Council policies on Anti-Fraud and Corruption and Whistleblowing.

Information

2 Background

- 2.1 In simple terms, fraud is obtaining a financial or other gain by means of deception, dishonesty or theft. Similarly, corruption is the dishonest exercise of official duties or position on order to achieve financial or other gain, for example the receiving of gifts, rewards or favours from the misuse of information or influence.
- 2.2 The Council has a zero tolerance of fraud and corruption. The Council expects that Councillors and staff will act with honesty and integrity in all aspects of their official

duties, and that individual and organisations with which it comes into contact will act in the same way when dealing the Council.

3 Strategies and policies to counter fraud and corruption

- 3.1** The Council has established a framework of appropriate strategies and policies in order to maintain a strong anti fraud and corruption culture. These include an Anti-Fraud and Corruption Strategy, Counter Fraud Strategy and Prosecution Policy (for Housing and Council Tax Benefits), Anti – Money laundering Policy, Anti - Bribery Policy, and Councillor and Officer Codes of Conduct. These strategies and policies are regularly reviewed and updated where appropriate.
- 3.2** The Council remains alert to the risk of fraud and corruption, and has in place a network of systems and procedures to protect its assets and services against these risks. The Council is committed to ensuring that the systems and procedures work properly and include effective internal control arrangements. Many of the controls are there specifically to prevent loss or fraud. They have been designed to help deter fraud and to give warning of possible fraudulent activity.
- 3.3** The effectiveness of these controls is independently monitored by Internal Audit, and the Head of Audit and Performance provides regular reports to the Audit and Standards Committee on the internal control environment. The Head of Audit and Performance reported to the June 2013 meeting of the Audit Committee that the overall standards of internal control were satisfactory during 2012/13.

4 Structures within the Council to counter fraud and corruption

- 4.1** Internal Audit assesses the risk of fraud and corruption every year as part of its annual and strategic planning processes covering the Council's key systems. In addition, Internal Audit carries out investigations of fraud and corruption other than those relating to benefits. The Benefit Fraud Investigation Team undertakes proactive anti-fraud work to combat benefits fraud.
- 4.2** Both Internal Audit and the Benefit Fraud Investigation Team are fully staffed, and comprise experienced and trained officers. There is some uncertainty over the future of the Benefit Fraud Investigation Team as it is due to become part of the national Single Fraud Investigation Service (SFIS), probably on 1 April 2014. The future organisation is currently the subject of a number of pilot projects, and the eventual impact on the Council is not yet known.
- 4.3** Under Financial Procedure Rules, the Chair of the Audit and Standards Committee is informed of the outcome of investigations into fraud and corruption.

5 Council involvement in national, regional and local counter fraud networks

- 5.1** The Council takes an active role in the National Fraud Initiative (NFI) data matching exercises that are managed by the Audit Commission. The 2012/13 exercise is underway, with the data having been submitted in October 2012 and the data matches returned to the Council in February 2013 for examination. This work is progressing, with the Benefit Fraud Investigation Team having confirmed two benefit frauds and investigating a further eleven possible frauds.
- 5.2** The Council is signed up the National Anti-Fraud Network, which provides regular bulletins on current issues and initiatives. For benefits fraud, officers work closely with the Department for Work and Pensions (DWP) doing joint investigations, and are members of the East Sussex Fraud Officers Group that shares good practice.

5.3 The Head of Audit and Performance is currently the Chair of the Sussex Audit Group (SAG) which circulates intelligence on current fraud issues and shares good practice in counter fraud activities.

6 Reported cases of fraud and corruption in 2012/13

6.1 Except for those cases relating to benefits (see 6.2 below), there were no reported instances of fraud or corruption at the Council during the year. This outcome is a continuation of recent trends in which the level of fraud and corruption at the Council has remained very low, and reflects the sound systems of internal control that are in operation. As part of the Council's internal assurance framework senior officers have confirmed that there are no cases reported under the Council's Whistleblowing Policy.

6.2 The work of the Council's Benefit Fraud Investigation Team during 2012/13 is summarised as follows.

- Benefit Fraud Investigation Team proved 28 cases of Housing Benefit and Council Tax Benefit fraud during the year, with a total value of approximately £151, 270. The cases were identified as a result of data matches from the NFI exercise (see 5.1 above), were noted by Council staff or reported by other people.
- During 2012/13, seven cases of benefits fraud were prosecuted. In each case the defendant was found guilty, and the money is being recovered by the Council via a variety of means.
- The Council is required to report to the external auditor (BDO) all instances of fraud valued in excess of £10,000 and all incidents of corruption. During 2012/13, the Council reported two cases of Housing and Council Tax Benefits fraud that exceeded this threshold, being assessed at £29,315 and £34,103 respectively. There were no cases of corruption.

6.3 The Council has joined with other local authorities in East Sussex to employ a private sector company to check on the status of Single Person Discounts (SPDs) claimed by residents against their Council Tax liability. During 2012/13, this process identified 296 cases of SPDs to which the liable person was not entitled, with a total value of approximately £110,810.

6.4 The Audit Commission publishes an annual report on fraud and corruption in local government called 'Protecting the Public Purse', and the report is based on a fraud and corruption survey that all Local Authorities are required to complete. The Council's survey return for 2012/13 was submitted to the Audit Commission in May 2013, and has been reviewed by BDO. The numbers and values of the reported fraud cases outlined above are those reported to the Audit Commission.

7 Financial Appraisal

7.1 There are no additional financial implications from this report.

8 Risk Management Implications

8.1 If the Council does not operate an effective internal control environment, including an appropriate framework of strategies, policies, systems and procedures to counter fraud and corruption, there will be reduced assurance that there are adequate means to prevent, detect and investigate irregularities and protect public funds. Without

adequate measures in these areas the Council is at risk of damage to its reputation for honesty, integrity and effective management.

9 Sustainability Implications

9.1 I have not completed the Sustainability Implications Questionnaire as this report is exempt from the requirement because it is an internal monitoring report.

10 Equality Screening

10.1 This report is for information only and involves no key decisions. Therefore, screening for equality impacts is not required. However, if Internal Audit note equalities issues during their work these will be raised with the Equality Officer to ensure that appropriate equality impact screening is carried out.

11 Background Papers

11.1 None.

12 Appendices

12.1 None.