

Meeting: AUDIT COMMITTEE

Agenda Item: 5

Date: 22nd July 2010

ANNUAL ANTI FRAUD REPORT 2009/10

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1. PURPOSE

- 1.1. The purpose of this report is for the Audit Committee to receive and consider the Annual Anti Fraud Report for 2009/10.

2. RECOMMENDATIONS

- 2.1. The Annual Anti Fraud Report for 2009/10 be noted.

3. BACKGROUND

- 3.1. This report provides the Audit Committee with a summary of the anti fraud work undertaken during 2009/10 by the Internal Audit and Anti Fraud teams.

- 3.2. Internal Audit have the following anti fraud responsibilities:

- National Fraud Initiative – co-ordination and investigation of National Fraud Initiative data matches.
- Whistleblowing – development of policy and procedure, publicity, and the administration and investigation of Whistleblowing referrals.
- Investigate any allegations of internal fraud or corruption.
- Delivery of the mandatory Ethics and Probity training course for new starters.
- Through the delivery of internal audits make recommendations to improve the internal control environment to minimise the risk of fraud.
- Provide advice and monitor compliance against the Regulation of Investigatory Powers Act 2000. Take a co-ordinating lead on Office of Surveillance Commissioner visits and provide statistical returns.

- 3.3. The Council's Anti Fraud Service operates in partnership with Hertsmere Borough Council and their primary objective is to investigate allegations of fraud in relation to Housing and Council Tax Benefits claims. Following investigations, the service will prosecute or sanction individuals where there is sufficient evidence that they have committed fraud against the Council. The Anti Fraud Service are also involved in providing advice and investigating Housing Tenancy Fraud.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1. The anti fraud activity undertaken by Internal Audit and Anti Fraud teams during 2009/10 is summarised below.

National Fraud Initiative

4.2. Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), a sophisticated data matching exercise which matches electronic data within and between participating bodies to prevent and detect fraud.

4.3. The Council has received almost 3,000 data matches for investigation. The data matches included potential duplicate creditors, potential overpayment of housing benefit or single persons discounts for Council Tax, concessionary travel permits that could potentially be cancelled, potential fraudulent insurance claimants, potential payroll fraud and non declaration of company/board directorships.

4.4. The table below summaries the errors, frauds and issues that have been identified as a result of the participating in the NFI to date.

Data Match Type	Fraud/Error	Value	Comments
Concessionary Travel	35 errors	N/A	35 bus passes have been flagged as "not to be renewed" on the bus passes system.
Duplicate Creditors	5 errors	£10,734	The duplicate payments have all been recovered and internal controls have been strengthened.
Housing Benefits	1 fraud 1 error	£2,679 £279	The overpayments are in the process of being recovered.
Council Tax - Single Person Discount	8 discounts ended	£2,400 est.	55 households were requested to confirm on-going entitlement by returning a signed declaration form. <ul style="list-style-type: none"> • 8 households confirmed they are no longer entitled to discount and the discounts were removed • 28 returned forms require further investigation • 19 households have not returned the form The exercise has identified data conversion errors in the Academy system. A further 20 rising 18s data matches are to be investigated and two additional data match reports have been received and will be investigated in 2010/11.
Procurement	N/A	N/A	Non declaration of six potential conflicts of interest, however no evidence of fraud was identified. Internal controls are in the process of being

Data Match Type	Fraud/Error	Value	Comments
			strengthened.

Whistleblowing

- 4.5. The Council recognises that its staff are often in the best position to know when the interests of the public are being put at risk, however they may fear coming forward. To demonstrate the Council's commitment to being open, honest and accountable, it strongly endorses its whistleblowing policy which takes into account the principles of the Public Interest Disclosure Act 1998. The Act was established to provide protection, and encourage individuals to report any concerns that they may have of improper conduct, malpractice or abuse within the Council or to any of its service users, without the fear of detriment or dismissal.
- 4.6. During 2009/10 Internal Audit undertook the following whistleblowing related activity:
- Further developed whistleblowing procedures and policy.
 - Redesigned the whistleblowing poster and placed the posters in key positions within Council buildings. This will be reviewed annually.
 - Attached whistleblowing flyers to every employee payslip in February 2010
 - Set up a whistleblowing email address in March 2010, whistleblowing@stevenage.gov.uk, to encourage referrals.
 - Received one whistleblowing referral.
 - Investigated and closed one whistleblowing case. The allegations were not proven however internal controls were strengthened.

Ethics and Probity Training

- 4.7. The Internal Audit Service delivered five Ethics and Probity training courses in 2009/10 to new starters, the course covers the definition and importance of Ethics and Probity, outlines potential problem areas Council officers may face, details the current Ethics and Probity arrangements at the Council and tells officers where they can get help and advice. Fraud Awareness is also delivered as part of the course by the Anti Fraud Service.

Internal Audit Recommendations

- 4.8. The prevention and detection of fraud is included within the risk assessment of individual audit assignments. When weaknesses in the internal control environment are identified through audit work, recommendations are agreed with management for implementation.
- 4.9. In 2009/10, 23 recommendations were made to improve the internal control environment to minimise the risk of fraud, which included five high priority, ten medium priority and eight low priority recommendations. The high priority recommendations are summarised below:
- Changes made to supplier bank account details are monitored and reviewed by management on a periodic basis.

- All significant Assets disposals are formally reviewed and authorised by an appropriate manager.
- Reconciliations between Car Parking expected income and actual income are completed on a monthly basis, reviewed and signed off by an appropriate manager.
- Removing the ability for Exchequer officers to be able to print manual cheques.
- Reconciliations between Building Control expected income and actual income is completed on a monthly basis, reviewed and signed off by an appropriate manager.

Regulation of Investigatory Powers Act 2000 (RIPA)

- 4.10. The Council has the authority to use RIPA to undertake directed surveillance for the prevention and detection of crime or of disorder.
- 4.11. During 2009/10 three applications for directed surveillance were granted by an authorising officer. The applications were made in the following service areas, taxi licensing, environmental services and anti social behaviour. One authorisation was still in force at the end of the financial year and two have been successfully concluded.

Housing and Council Tax Benefits

- 4.12. The Council's Anti Fraud Service consists of a shared Anti Fraud Manager with Hertsmere Council and two full time Investigators.
- 4.13. The Anti Fraud Manager and the Investigators are fully trained to prosecution standard and have all attained the Government recognised qualification in Professionalism in Security Pins (PINS).
- 4.14. The Investigators deal mainly with offenses committed under the Social Security Administration Act 1992 and adhere to the Council's Sanction policy.
- 4.15. During 2009/10 the Anti Fraud Service met all its balance scorecard performance targets and has: (2008/09 figures in brackets for comparison purposes)
- Investigated 219 cases (245)
 - Identified 103 fraudulent claims (86)
 - Made 36 prosecutions and sanctions (37)
 - Identified £172,651 in recoverable overpayments (£216,167)
- 4.16. Due to the unpredictable nature of investigations there is likely to be fluctuations year on year.

Action Plan

- 4.17. An action plan to address specific issues identified in this report is detailed below.

Ref	Action	Responsibility	Timing
1	Co-ordinate the completion and investigation of	Chief Internal Auditor	31 December

	the remaining data match reports.		2010
2	Resolve the data conversion errors in the Academy system. In particular, setting an end date on the system for the Single Person Discount to be stopped when an under 18 in the household turns 18 and no there is no ongoing entitlement to claim the discount.	Local Taxation Manager	30 September 2010
3	Undertake a whistleblowing publicity campaign. In particular: <ul style="list-style-type: none"> • Redesign the whistleblowing poster and display in key locations in the Council. • Send flyers to staff with their payslips. • Write an article in the Link magazine. 	Chief Internal Auditor	28 February 2011

4.18 The Council will continue to participate in the NFI and arrangements are in place to submit data for the 2010/11 exercise.

5. IMPLICATIONS

5.1. Financial Implications

5.1.1. This report details the identification of approximately £16,092 of overpayments as a result of the Council's participation in the NFI. A further £172,651 of overpayments was identified as a result of the Anti Fraud benefits investigations, the identified overpayments exceeds the cost of providing the service by almost £50,000.

5.2. Legal Implications

5.2.1. There are no direct legal implications within the recommendations of this report.

BACKGROUND DOCUMENTS

None

APPENDICES

None

