

Meeting: AUDIT COMMITTEE

Agenda Item: 3

Date: 9th September 2013

ANNUAL ANTI FRAUD REPORT 2010/11

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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 2012/13.

2. RECOMMENDATIONS

- 2.1. That the Annual Anti-Fraud Report for 2012/13 be noted.

3. BACKGROUND

- 3.1. This report provides the Audit Committee with a summary of the anti fraud work undertaken during 2012/13 by the Shared Internal Audit Service (SIAS) and teams in both Stevenage Borough Council and the Shared Benefits Service hosted by East Herts.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1. The anti fraud activity undertaken by SIAS and District teams during 2012/13 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 datasets that the Council supplied for the 2012 NFI data matching exercise related to housing tenants, right to buy (former) tenants, taxi licences, alcohol licenses, market traders, payroll, creditors - suppliers, and creditors - payments. This resulted in approximately 90,000 records being uploaded.

- 4.4. The results of the data matching were received in January 2013. There were 1,184 queries for investigation (the reduced number of queries, as compared to the previous NFI cycle, is indicative of the pro-active approach that the Council has taken in this area.) 1,095 of the matches have been resolved with 89 still under investigation.
- 4.5. The table below summarises the errors, frauds and issues that have been identified as a result of the participating in the 2012 NFI to date.

Data Match Type	Fraud/Error	Value	Comments
Duplicate Creditors	1 error	£14,202	The duplicate payment is from November 2011 and is in the process of being recovered and internal controls have been strengthened.
Housing Benefits	None identified yet	-	Data matches are under investigation.
Council Tax - Single Person Discount	None identified yet	-	Data matches are under investigation.
Concessionary travel permits	None identified yet	-	Data matches are under investigation.

Whistleblowing

- 4.6. 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. The Whistleblowing policy is currently being reviewed and once this is complete it will be re-issued to staff and posted on the Council's website.

Ethics and Probity Training

- 4.7. Responsibility for Ethics and Probity training transferred to the Borough Solicitor in 2012/13 and during the year training was delivered as required. In 2013/14 training will be delivered on a more formal basis by the Borough Solicitor in conjunction with the Human Resources department.

Internal Audit Recommendations

- 4.8. A counter fraud baseline assessment was undertaken across all clients in the SIAS partnership allowing good practice to be shared. Findings that related specifically to Stevenage have been discussed with the Assistant Director of Finance.
- 4.9. 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.

- 4.10. In 2012/13, 39 recommendations were made to improve the internal control environment to minimise the risk of fraud, which included five high priority, 26 medium priority and eight merits attention priority recommendations. The high priority recommendations (all related to contracting issues that were raised in our audit review of the Building Materials Management Contract and the Procurement Baseline Assessment) and are summarised below:

Recommendation	Current Status
The Council should review the KPI's agreed in the SLA section of the Contract and introduces ways to determine the accuracy of the figures produced by the Contractor or introduces its own methods of monitoring performance, where appropriate.	Partially Implemented - The KPIs have been reviewed and the Council are looking at introducing an electronic system to improve efficiency in this area.
Invoice prices should be checked and agreed to the contract price. Managers should be provided with the contract process to facilitate this checking	Partially Implemented - A system has been introduced to allow checking to take place and work is in progress to automate this.
A process of checking and agreeing items invoiced is introduced to prevent the risk of duplicated charges and errors going undetected. These checks should be evidenced	Partially Implemented - A principal for identifying duplicate payments has been introduced and work is in progress to automate this.
All invoices for the Contractor paid on direct debit should be checked and appropriately authorised in a timely manner	Implemented
When Contract Standing Orders are next reviewed, more robust tender opening procedures should be introduced for contracts valued between £5,000- £75,000. There should be two members of staff involved and the use of the e-tendering system should be extended to contracts within this banding as soon as practical	Implemented

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Regulation of Investigatory Powers Act 2000 (RIPA)

- 4.11. The Council has the authority to use RIPA to undertake directed surveillance for the prevention and detection of crime or of disorder. However, there were no applications in the year.

Housing and Council Tax Benefits

- 4.12. The Council's Anti Fraud Service consists of a shared service with East Herts District Council. There is an Anti-Fraud Manager and two full time Investigators and the resource is shared equally between the two authorities, with in excess of 75% of the time being devoted to benefit fraud. During 2012/13 188 fraudulent claims were identified with a financial value of £168,599.
- 4.13. Of the cases identified above there were 4 successful prosecutions.
- 4.14. Due to the unpredictable nature of investigations there is likely to be fluctuations year on year.

Corporate Review of Fraudulent Events

- 4.15. Details of all known fraudulent and uninsured events are logged corporately. There were no additional cases of fraud identified in the year, although there have four cases of theft identified with a total value of £4,815 since the log was introduced in July 2011.

5. IMPLICATIONS

5.1. Financial Implications

- 5.1.1 This report details the identification of approximately £14,202 of overpayments as a result of the Council's participation in the NFI. A further £168,599 of overpayments was identified as a result of the Anti Fraud benefits investigations.

5.2. Legal Implications

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

6. BACKGROUND DOCUMENTS

- None

7. APPENDICES

- None