

Subject:	ANNUAL FRAUD REPORT 2015-16
Meeting and Date:	Governance Committee – 30th June 2015
Report of:	Christine Parker – Head of Audit Partnership
Decision Type:	Non-key
Classification:	Unrestricted
Purpose of the report:	This report provides a summary of the anti-fraud work completed for the year ending 31 st March 2016.
Recommendation:	That Members note the report.

SUMMARY

The main points to note from the attached report are that counter fraud controls are in place, however the Council is not complacent and remains committed to its zero tolerance stance, that fraud is never acceptable.

1.0 INTRODUCTION

- 1.1 Dover District Council is opposed to all forms of fraud and corruption and recognises that such acts can undermine the standards of public service, which it promotes, and have a detrimental effect on the ability of the Council to meet its own objectives. This, in turn, can impact on the service provided to the residents of this district.
- 1.2 This report is intended to provide details of the Council's activity in preventing, detecting and investigating fraud and corruption during the 2015-16 financial year. The report includes action taken in respect of both corporate fraud (acts of fraud within and against the Council) and benefit related fraud formerly managed by EK Services on its behalf up until December 2015.
- 1.3 Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage.
- 1.4 Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tougher stance. This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks.

2.0 Prevention and Detection of Fraud and Corruption

A key element of the Council's arrangements to prevent and detect fraud and corruption activity is the development and maintenance of an anti-fraud culture within the Council, through the following;-

2.1 Counter Fraud & Corruption Strategy

The anti-fraud and corruption strategy is a public document setting out the Council's stance on fraud and corruption and providing an outline of its arrangements to prevent, detect and investigate instances. The strategy underpins the Council's counter fraud arrangements and supports other corporate documents, which together form the framework which includes:

- Counter fraud policy,
- Whistleblowing policy,
- Anti-money laundering policy,
- Anti-bribery policy,
- Anti-corruption policy
- Gifts and hospitality policy and register,
- Pecuniary interest policy and register,
- Codes of conduct and ethics,
- Information Governance & Security policies (currently being refreshed).

Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of improving resilience to fraud and corruption;

2.2 Whistleblowing Policy

The Whistleblowing policy is intended to be used by Council employees, members and contractors, consultants or partners working with the Council to support the disclosure of concerns and suspicions, which can not be raised through the channels outlined in the Anti-Fraud & Corruption Strategy. During 2015-16 there were no referrals made using the Whistleblowing Policy.

2.3 Internal Control Arrangements

2.3.1 Induction

The Council has arrangements in place for inducting new members of staff. This includes, amongst other things, the Council's Code of Conduct, the suite of policies that form the Anti-Fraud, Corruption and Bribery Framework and Data Protection and Records Management awareness.

2.3.2 Training

In addition to the induction training staff are reminded via the publication of the Counter Fraud and Corruption Strategy and the posters telling staff what to do if they suspect fraud or irregularity are on main noticeboards about the building.

2.3.3 Website

The Council's policies are promoted via the Website so that all stakeholders may be clear on what to do if they wish to report their concerns.

2.3.4 Publicity of Successful Prosecutions

The Council is committed to publicising where it has been able to successfully pursue proven cases of fraud. During the 2015-16 year three press releases relating to the Council's detection of fraudulent activity was issued. The publicity provides assurance that the Council does and will deal with such cases effectively, acting both as a deterrent to those contemplating fraudulent activity, and encouraging those with information to come forward and report this to the Council.

2.3.5 National Fraud Initiative

The Council takes part in the bi-annual National Fraud Initiative (NFI) data matching exercise, comparing computer records held by the Council against other data bases held by other bodies. This results in matches being found requiring further investigation to determine whether it is an error or a potential fraud. In October 2014 the Council submitted data for the 2014-15 NFI exercise, and the matches from the exercise were received in January 2015.

A total of 1608 matches were received across 59 reports considering housing benefit, payroll, creditors, housing (including right-to buy), insurance claim and taxi licensing information held by the Council. Investigation work has continued during the current year and of the 1,608 matches, 1,177 have been closed with six frauds and two errors found. There are currently 53 matches being investigated with the remainder yet to be processed. This has resulted in recovery action in the sum of £16,226.36.

In addition, the Council is again participating in the Flexible Matching Service to identify possible Council Tax single person discount fraud. There were 1,777 matches for investigation and of those 1,354 have currently been processed with 367 errors identified. This has resulted in recovery action in the sum of £13,473.59.

2.3.6 Housing Tenancy Fraud

East Kent Housing (EKH) provide housing management services for Canterbury, Dover, Shepway and Thanet council's and help by providing information about EKH officers and the work that they do to help identify and deal with Social Housing Fraud. EKH also provide the information required under paragraph 58 of the Local Government Transparency Code 2014 (shown in the following table) about:

- The total number of cases of irregularity investigated
- total number of occasions on which a) fraud and b) irregularity was identified
- total monetary value of a) the fraud and b) the irregularity that was detected, and
- total monetary value of a) the fraud and b) the irregularity that was recovered.

The changes in legislation and new powers are now available to local authorities to both recover housing stock from fraudulent tenants and any rent gained from any sub-letting of a genuine tenancy. The Council will continue to build on working with East Kent Housing to prevent and detect potential housing fraud.

Period 1 April 2015- 31 March 2016	DDC
The number of occasions that EKH have used powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 201432, or similar powers	0
The total number (absolute and full time equivalent) of employees of EKH undertaking investigations and prosecutions of fraud	0
The total number (absolute and full time equivalent) of professionally accredited counter fraud specialists working for EKH	0
Period 1 April 2015- 31 March 2016	DDC
The total amount spent by the EKH on the investigation and prosecution of fraud	0

The total number of social housing fraud cases investigated by EKH.	1
The total number of cases of irregularity investigated	1
The total number of occasions on which a) fraud and b) irregularity was identified	0
total monetary value of a) the fraud and b) the irregularity that was detected	0
Total monetary value of a)the fraud and b)the irregularity that was recovered	0

2.3.7 Data Protection

Training has been provided by the Director of Governance and Solicitor to the Council and their teams to all senior managers across the Council. This is to ensure that managers have a good understanding of the Data Protection rules and the potential areas for error, misuse and fraudulent use of personal information. All staff are currently completing the on-line training tool.

3.0 Investigating Fraud

Whilst the Council has effective internal control arrangements in place within systems and processes to prevent and detect fraudulent activity, the Council recognises that fraud does occur and is often detected as a result of the alertness of employees, members and the general public and other stakeholders.

3.1 Corporate Fraud & Irregularity Referrals

To ensure the effective use of the skills and resources available to it the Council intends to utilise officers from HR and Internal Audit, and senior managers based on the nature of the allegation and the investigatory skills required. During 2015-16 no referrals were made to the Council.

3.2 Benefit Fraud Referrals

The investigation team was previously made up of two Investigation Officers whose primary focus was the detection and investigation of benefit fraud. These officers transferred to the Single Fraud Investigation Service working for the DWP in December 2015. The figures reported to the end of Quarter 2 for 2015-16 follow;-

There were 264 referrals to the team, of which 200 were closed.

Sanction Achieved	Number
Formal Caution	23
Administrative Penalty	4
Successful Prosecution	3
30	

3.3 Other Investigation Activity

During the year, Internal Audit has not carried out any special investigations for the Council.

4.0 Future Developments in the Fraud Arrangements of the Council

4.1 Fighting Fraud Locally

- In December 2011 the NFA launched *Fighting Fraud Together*, a national fraud strategy encompassing public and private sector, not for profit organisations and law enforcement bodies.
- In April 2012 the NFA launched *Fighting Fraud Locally* as the first sector-led local government counter-fraud strategy. *Fighting Fraud Locally* sets out a three tiered approach for local authorities to follow- to Acknowledge, Prevent and Pursue fraud.
- CiPFA published its Code of Practice on Managing the Risk of Fraud and Corruption in October 2014. The five key elements of the code are to:
 - Acknowledge the responsibility of the governing body for countering fraud and corruption;
 - Identify the fraud and corruption risks;
 - Develop an appropriate counter fraud and corruption strategy;
 - Provide resources to implement the strategy;
 - Take action in response to fraud and corruption.
- In early 2016 the Local Government Counter Fraud and Corruption Strategy was updated to produce a forward look for 2016-2019. This extends the earlier requirement to transform counter fraud and corruption performance over the next three years and introduces the six C's; Culture, Capability; Capacity: Competence; Communication and Collaboration.

4.2 Assessing Fraud Risk

In addition to the work of management, both External Audit and Internal Audit will continue to assess fraud risk to which the Council may be exposed annually as part of the development of their planned work.

5.0 Summary

5.1 The Council continues to react positively to review, update and publicise its counter fraud arrangements and encourage referrals to be made where fraud or corruption is suspected.

5.2 To maintain its counter fraud culture, the Council will;

- Ensure that the Council has the right policies and procedures in place to support counter fraud work and that these are widely publicised, promoted and enforced.
- Provide an ongoing awareness of fraud and corruption issues to staff and members.
- Work with stakeholders across the Council in acknowledging their fraud risk.
- Undertake reactive investigations where fraud is reported and ensure that the maximum possible is recovered for the Council.
- Ensure that the lessons learned from investigations, and the skills and knowledge required to carry them out effectively, are shared across the relevant parts of the Council.
- Ensure that proven cases are publicised.
- Maintain an overview of the changing fraud landscape to ensure that the Council continues to maintain an effective, but proportionate, response to fraud risk.

Background Papers

- The data required to complete this report has been supplied by the various Council teams responsible.
- Fighting Fraud Locally
- CiPFA's Code of Practice on Managing the Risk of Fraud and Corruption
- Local Government Counter Fraud and Corruption Strategy 2016

Resource Implications

There are no financial implications arising directly from this report.

Consultation Statement

Not Applicable.

Impact on Corporate Objectives and Corporate Risks

This report summarises the counter fraud work for the year 2015-16.

Attachments

None

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Head of Audit Partnership