
Subject:	ANNUAL FRAUD REPORT 2013-14
Meeting and Date:	Governance Committee – 26th June 2014
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 work completed by the East Kent Audit Partnership together with details of the performance of the EKAP against its targets for the year ending 31st March 2014.

Recommendation: That Members note the report.

Annual Fraud Report 2013-14.

SUMMARY

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

1.0 INTRODUCTION

1.1 In 2013-14 Dover District Council spent around £14.7 million (net) providing services to the 111,000 people that reside within the district. These services range from the payment of housing and council tax benefit to collection of household waste and the control of development. To provide these services, the Council directly employs 232 staff, and together with East Kent Services and East Kent Housing they are responsible for conducting significant number of administrative, operational and financial processes on behalf of the Council.

1.2 In the Annual Fraud Indicator 2013 the National Fraud Authority (NFA) estimates that fraud costs the UK £52bn a year. The NFA also estimates that within the public sector, £20.6bn is lost annually due to fraud, with £2.1bn of this affecting local authorities. The major areas of fraud within local government are cited as;

- Housing Tenancy fraud (estimated £845 million)
- Procurement Fraud (£876 million)
- Payroll Fraud (£154 million)
- Council Tax Fraud (£133 million).

1.3 The NFA also estimates that Benefit Fraud (fraud and error for benefits administered by the Department for Work and Pensions and local authorities) costs the UK economy £1.2bn annually, with Housing Benefit fraud remaining the largest area of fraud overpayment within the benefits system at £350 million.

1.4 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.

- 1.5 This report is intended to provide details of the Council's activity in preventing, detecting and investigating fraud and corruption during the 2013-14 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.

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 Council has an integrated and coherent set of policies and strategies for:

- Anti-fraud and corruption
- Dealing with allegations of fraud and corruption
- Anti-money laundering
- Anti bribery; and
- Dealing with whistleblowing

These are public documents which set out the Council's stance on fraud and corruption and providing and outline of its arrangements to prevent, detect and investigate instances. There were no referrals made using the Whistleblowing Policy during 2013/14

The documents were revised in 2012 and adopted by Council on 25th July 2012 and they are kept under review for relevance. Net Consent and briefing sessions have been used to ensure that all are aware of the policies and strategies and they are available on the Council's internet and intranet web sites.

2.2 Housing & Council Tax Benefit Anti-Fraud Policy

The Housing & Council Tax Benefit Anti-Fraud Policy provides an additional element of the Council's counter fraud culture, it is a public document setting out the Council's stance on fraud specifically related to benefits. The document was updated December 2012 to reflect changes introduced by the Welfare Reform Act including the Council Tax Reduction Scheme.

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 for the Anti-Fraud, Corruption and Bribery Framework and Data Protection and Records Management awareness..

2.3.2 Training

In addition to the Counter Fraud and Corruption Strategy briefings, specific training and feedback is provided to the Benefit and Council Tax processing staff on referrals made to the investigators. Investigation Officers have commenced working more closely with Housing Officers and Internal Audit, to provide an effective way of sharing the skills, knowledge and experience of conducting investigations.

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 2013-14 year one press release 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 2012 the Council submitted data for the 2012-13 NFI exercise, and the matches from the exercise were received in January 2013. In October 2012 the Council submitted data for the 2012-13 NFI exercise, and the matches from the exercise were received in January 2013. The results of the NFI Exercise will be reported to the committee when finalised.

2.3.6 Housing Tenancy Fraud

Internal Audit was commissioned to undertake a review of Tackling Tenancy Fraud arrangements working with the four East Kent councils and East Kent Housing (EKH). As part of this review, the incorrect phone number for reporting potential tenancy fraud was corrected on the EKH webpage. Shortly following this, a report was made by a member of the public. The matter was fully investigated, and unfortunately not proven; despite much circumstantial evidence. As a consequence the case has not been fully closed in the event that circumstances regarding the documentary evidence may change in the future. The changes in legislation and new powers available will be fully explained in the final report by Internal Audit due to be finalised and reported to this committee in the near future. The Council will continue to build on this early work in 2014-15.

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 2013-14 no referrals were made to the Council;

3.2 Benefit Fraud Referrals

The investigation team is currently made up of two Investigation Officers whose primary focus is the detection and investigation of benefit fraud. The team works closely with other agencies to progress investigations. Partnership working is actively undertaken with these agencies to ensure that the best outcome is received through the pooling of resources.

The investigation team is reliant on a number of sources for referrals of potential benefit fraud cases. During 2013-14 505 referrals were made to the team, as set out in the table below.

Referral type	No. of Referrals received	No. of referrals Accepted for Formal Investigation
Housing Benefit Matching Service	31	24
Fraud Hotline	159	18
Benefits Staff	220	118
Council staff	17	1
DWP	33	33
Other	45	32
	505	226

During 2013-14 226 formal investigations were carried out, a total of 24 sanctions were achieved as follows

Sanction Achieved	Number
Formal Caution	19
Administrative Penalty	4
Successful Prosecution	1
	24

Additionally, through this work, overpayments of £108,718 in Housing Benefit and £21,001 in Council Tax Benefit were identified during the year.

3.3 Other Investigation Activity

Internal Audit has also responded to a referral regarding possible missing income. The full investigation is underway, and the results will be reported to this Committee once resolved.

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.

The Council commission Internal Audit to consider the existing arrangements against *Fighting Fraud Locally* to identify opportunities to further develop the framework. The officer working group has received the action plan that resulted from this review, and Internal Audit have been asked to attend the working group as required..

4.2 Assessing Fraud Risk

The Council will continue to closely monitor the development of the Single Fraud Investigation Service (SFIS) and the wider Welfare Reform agenda. This will directly impact dedicated Housing Benefit investigation staff, although pilot sites have been established by the DWP, the latest date indicated for this initiative to be fully implemented nationally is March 2016. Individual Councils have been given their transfer date between October 2014 and March 2016. Dover's resource will transfer in December 2015. This will present a risk of a loss of skills, and the lost opportunity to share expert knowledge and experience across the Council departments.

Internal Audit will continue to assess fraud risk to which the Council may be exposed annually as part of the development of the annual internal audit plan. In 2014-15 there is a specific Fraud Resilience review scheduled for quarter 3.

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 In the forthcoming year it is considered that the risk of the Council being subject to fraudulent activity is not likely to reduce. To ensure that the Council maintains its counter fraud culture, activities will include to;
- 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, particularly by evaluating an e-learning module.
 - 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.

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 2013-14 and sets out the forward look for assessing ongoing fraud risk.

Attachments

None

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