

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	15th May 2012	AGENDA ITEM NUMBER
TITLE:	Fraud Update – Fighting Fraud Locally	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Fighting Fraud Locally - The Local Government Fraud Strategy		
Appendix 2 - Fraud Action Plan.		

1 THE ISSUE

- 1.1 At the December 2011 Committee meeting, Committee Members received a presentation on Fraud & Corruption in addition to receiving a report on the Council's Counter Fraud and Corruption arrangements. This included the review of associated Policies and Procedures as well as assessing the impacts of Fraud and misuse of Council resources on the Authority and the views of external auditors.
- 1.2 On the 2nd April 2012, 'Fighting Fraud Locally - The Local Government Fraud Strategy' was published. This document has stated its objective is to strengthen the counter fraud response across local government, catching more fraudsters, preventing fraud and recovering monies.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to consider this Strategy document and confirm that the Council's approach is in line with recommended best practice.

3 FINANCIAL IMPLICATIONS

- 3.1 Fraud and Corruption can cost any organisation substantial sums of money if poorly managed, whilst there are no direct implications relevant to this report the impacts from implementing the actions proposed should hope to minimise any future risks.

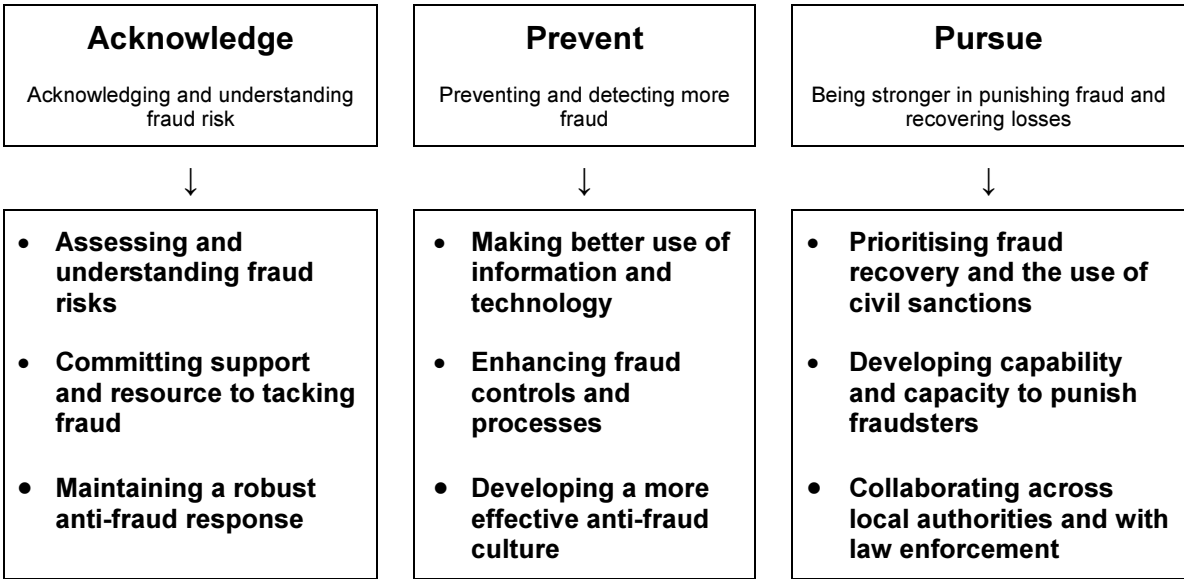
4 THE REPORT

4.1 As reported to this Committee in December, The Audit Commission’s 2011 report “Protecting the Public Purse – Fighting Fraud against Local Government” repeated the message on how Local Authorities can effectively combat fraud and manage the risk:

- Developing a zero-tolerance approach towards fraud
- Adopting good practice in managing the risk of fraud (the 2011 Report specifically referred to the soon to be published National Fraud Authority Strategy ‘Fighting Fraud Locally’)
- Creating a strong counter-fraud culture and implementing counter-fraud policies and procedures

4.2 The ‘Fighting Fraud Locally’ Strategy has now been published and it calls for the adoption of a tougher approach to tackling fraud against Local Authorities organised around three themes:-

- 1 Acknowledge
- 2 Prevent
- 3 Pursue



4.3 It highlights the radical changes underway to how local services are delivered including the change of emphasis from being a provider to a commissioner of services. This shift changes the risk profile of fraud, as well as the control environment in which risk is managed. More public money will be entrusted to others, whilst the controls previously exercised are removed or reduced. This requires new safeguards to be introduced to prevent, detect and investigate.

4.4 In relation to the investigation of fraud. Local Authorities currently have devolved powers to investigate and prosecute social security benefit fraud. Significant changes are planned for the welfare system and this includes the move to a Single

Fraud Investigation Service (SFIS). The government consultation document stated that the preferred option was that staff remain employed by Council's but work with DWP to ensure a single investigation into benefit fraud takes place. Work is on-going in developing the preferred option.

- 4.5 The changes in service provision are happening against a backdrop of depressed economic activity in which generally fraud risk increases. Harder times tend to lend to an increase in motivation to defraud.
- 4.6 After each Section of the Strategy it records 'Our Commitments' under two headings: 1) National Partners action; and 2) Local Partners to consider. An initial review of these commitments would indicate that this Council is adopting best practice. The detailed Local Partner commitments and an associated checklist of actions (recently circulated) will be reviewed and subject to a future report to this Committee.
- 4.7 In the December 2011 Committee Report, the Committee was asked to comment on the biennial review of the Council's Counter Fraud and Corruption arrangements and actions proposed recorded in the Council's Fraud Action Plan. An updated version of this plan is attached (Appendix 2) with a RAG (Red, Amber, Green Status column). We remain confident that the Council is adopting a risk based approach which satisfies many of the areas highlighted by the Strategy and this area will remain as a high priority for the audit function.
- 4.8 Section 3 of the strategy document is entitled 'Tackling the main fraud risks' and records the key fraud risks which were reported in the Audit Commission 'Protecting the Public Purse' publication (referred to in the December 2011 report to this Committee). The key fraud risks are recorded as:
 - 1) Housing Tenancy Fraud
 - 2) Council Tax Fraud
 - 3) Procurement Fraud
 - 4) Grant Fraud
 - 5) Employee Fraud
 - 6) Schools (Academies & Free Schools require different approach)
 - 7) Personal budgets
- 4.9 Housing Tenancy Fraud was discussed by the Committee during its meeting in December 2011. As an update to the discussion, the Committee should be aware that the Department of Communities & Local Government recently consulted on new measures to : 1) increase the deterrent to tenants considering cheating the system; 2) improve detection of fraud; 3) make punishment more severe; and 4) encourage social landlords to take a more proactive role.
- 4.10 Internal Audit have set aside time in the 2012/13 Audit Plan to look at the implications of Tenancy Fraud in B&NES and in addition Tenancy Fraud was going to be subject to discussion at a meeting of the SOMER Liaison Panel meeting on April 16th. Feedback on this discussion from the Associate Director of Housing & Health is awaited.
- 4.11 Overall we remain confident that the Council is adopting a risk based approach which satisfies many of the areas highlighted by this new Strategy and an effective and proportionate anti-fraud & corruption approach will remain as a high priority for the audit function.

5. RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. No significant changes or issues to report for the Committee from our last update in December 2011, fraud remains a key risk area for the audit function and Housing Tenancy Fraud has been prioritised in the plan for 2012/13.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7. CONSULTATION

7.1 A copy of this report was presented to the S151 Officer and Strategic Director Resources & Support Services for comment

8. ADVICE SOUGHT

8.1 The Council's Section 151 Officer (Strategic Director - Support Services) has had the opportunity to input to this report.

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Background papers	None
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