

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1	Meeting:	Audit Committee
2	Date:	18 th January, 2012
3	Title:	Protecting the Public Purse, 2011 Fighting fraud against Local Government
4	Directorate:	Resources

5 Summary

This report refers to a recent publication by the Audit Commission's entitled 'Protecting the Public Purse 2011'.

The document highlights current fraud risks relevant to local authorities and the steps councils can (and should) take to minimise the risk of fraud. The report includes a self-assessment questionnaire to be completed by authorities to help them assess their current arrangements.

Completion of the assessment confirms the Council continues to have robust arrangements in place for managing the risk of fraud.

6 Recommendations

The Audit Committee is asked:

- To note the result of the RMBC self assessment against the fraud checklist within the Audit Commission's 'Protecting the Public Purse' report 2011.

7. Proposals and Details

The Audit Commission's Protecting the Public Purse 2011 (PPP 2011) focuses on fighting fraud against local government. It is written for councillors and senior officers responsible for governance. In addition, government departments, other national organisations and counter-fraud specialists will find this report is relevant to them.

PPP 2011 follows the completion of the Audit Commission's annual fraud survey, which is still the sole source of evidence about the levels of detected fraud in local government and related bodies. The survey results, and PPP publications, focus on local government and can help councils and other local public bodies by providing the data and information they need to tackle fraud effectively.

The 2011 survey has shown that fraud continues to be a significant problem. It affects everyone in the UK. The survey shows that:

- councils detected more than £185 million worth of fraud, involving 121,000 cases;
- the total value of detected fraud losses for 2010/11 increased by 37 per cent compared with 2009/10, with the number of fraud cases also increasing; and
- councils recovered nearly 1,800 homes from tenancy fraudsters. These homes had a total replacement value of over £266 million.

More broadly, the National Fraud Authority (NFA) estimated in 2011 that:

- each year public, private and third sector organisations, as well as individuals, lose over £38 billion to fraud;
- fraud costs every adult in the country £765 a year; and
- fraud against public sector organisations costs £21.2 billion, with fraud against councils costing more than £2 billion a year.

PPP 2011 also includes a "Checklist for those responsible for governance". Internal Audit have completed this fraud self-assessment, on behalf of RMBC, and this shows we have in place robust procedures for preventing fraud and corruption.

Internal Audit has completed an assessment of the Council's position against the fraud checklist within the PPP 2011 document, this is shown in **Appendix A**.

Overall, the assessment shows the Council is already well placed to minimise the risk of fraud and corruption. In particular the Council can show:

- It has effective and up-to-date counter-fraud strategies, policies and plans, which have just been revised
- It employs dedicated, experienced and qualified counter-fraud staff
- An established risk based approach exists to reviewing anti-fraud and corruption arrangements, extending this to include Bribery Act considerations.

- Good working arrangements with other organisations.
- Commitment to fully exploring data matching initiatives, including the National Fraud Initiative which the Audit Commission commended our results.
- Internal Audit are pro-actively addressing new emerging risks.

The appendix also shows the actions proposed to further strengthen our arrangements. These include:

- Enhancing our communication, awareness raising and training on anti-fraud and corruption.
- Continuing to reassess fraud risks since the change in current financial climate, including those risks highlighted in PPP 2011.

Actions identified in Appendix A will be completed during 2012.

8. Finance

There are no direct financial implications arising from this report.

9. Risks and Uncertainties

Failure to maintain robust arrangements for the prevention and detection of fraud and corruption increases the risk of loss to the Council from fraudulent activity. Additionally, the Council could be given an unlimited fine if adequate procedures are not in place to prevent bribery, and suffer reputational damage.

10. Policy and Performance Agenda Implications

Guarding against incidents of bribery safeguards the use of public funds and accords with the Council's Corporate Plan and Community Strategy.

11. Background Papers and Consultation

Protecting the Public Purse 2011, Audit Commission

Contact Names:

Colin Earl, Director of Audit and Asset Management, Ext 22033

Steve Pearson, Audit Manager, Ext 23293

Appendices:

Appendix A - RMBC self-assessment against the PPP 2011 Fraud Checklist

Specific area	Yes	No	Comment and 2011/12 Action Points
General			
1. Do we have a zero-tolerance policy towards fraud?	Yes		This is clearly stated in RMBC Anti-Fraud & Corruption Strategy & Policy documents.
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i> ?	Yes		The following exist: An Anti-Fraud & Corruption Strategy and Policy, an Anti-Fraud Action Plan, and an Internal Audit [IA] Plan showing planned anti-fraud work. The Government's ' <i>Fighting Fraud Locally</i> ' strategy document has not been published at this current time, despite being promised for 3rd December, 2011.
3. Do we have dedicated counter-fraud staff ?	Yes		This largely comprises a Benefits Fraud Team and an Internal Audit Division with fraud training. All Benefits fraud staff are qualified for investigating fraud. All IA staff are professionally qualified or hold the accounting technician qualification, and fraud modules are included in these qualifications. A member of IA has recently gained the CIPFA Certificate in Investigative Practice. Further counter-fraud work is performed by the Blue Badge Enforcement Team and the Trading Standards Unit.

Specific area	Yes	No	Comment and 2011/12 Action Points
4. Do counter-fraud staff review all the work of our organisation?	Yes		Benefits fraud staff review benefits fraud only, whilst IA staff review fraud within the rest of the organisation. The IA Plan is a risk -based plan covering all Council activities. Within this a specific fraud module exists and is subject to a rolling review, incorporating emerging risks.
5. Do we receive regular reports on fraud risks, carrying out plans and outcomes?	Yes		IA produce such reports regularly to the Audit Committee and Standards Committee. The IA Plan shows planned work and risks and the IA Quarterly Review, IA Annual Report and IA Annual Fraud Report show outcomes.
6. Have we assessed our management of counter-fraud work against good practice?	Yes		This is achieved in 2 ways: <ul style="list-style-type: none"> - assessment against the CIPFA Better Governance Forum: "Managing the Risk of Fraud"; and - assessment against the checklist in this document.
7. Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • New staff (including agency staff); • Existing staff; • Elected members; and • Our contractors? 	Partial		Various methods have been employed: <ul style="list-style-type: none"> - Manager Briefings - Presentations to staff - E-learning modules Action Point: The above will continue, incorporating new legislation, and methods will include:

Specific area	Yes	No	Comment and 2011/12 Action Points
			<ul style="list-style-type: none"> - risk workshops - publicity material - an updated E-learning module
<p>8. Do we work appropriately with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues.</p>	Yes		<p>IA attend the South and West Yorkshire [SWY] regional Chief Auditor and Fraud groups where fraud is discussed.</p> <p>The SWY Fraud group meets quarterly to discuss fraud issues. Regular contact is also made via members where advice about a current issue is required.</p> <p>IA receive electronic bulletins from various sources e.g. National Anti Fraud Network [NAFN], and the Audit Commission's National Fraud Initiative [NFI].</p> <p>Regular pro-active fraud intelligence gathering from various sources exists e.g. CIPFA, including a new CIPFA on-line fraud discussion forum.</p> <p>IA and Benefits fraud staff regularly attend specialist fraud seminars.</p>
<p>9. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?</p>	Yes		<p>IA share knowledge and data through the SWY Fraud group.</p> <p>The Council participate in the NFI.</p>

APPENDIX A Audit Commission "Protecting the Public Purse" - Checklist for those responsible for governance

Specific area	Yes	No	Comment and 2011/12 Action Points
<p>10. Do we identify areas where our internal controls may not be performing as well as intend ?</p> <p>How quickly do we then take action?</p>	Yes		<p>This is shown in the specific IA reports and all areas with inadequate control are summarised annually in the IA Annual Report and Annual Governance Statement.</p> <p>IA reports are issued promptly to management containing an agreed Action Plan with timescales for compliance.</p>
General			
<p>11. Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on the matches investigated ?</p>	Yes		<p>IA were formally commended for participation in the NFI 2009/10 exercise. Over £250k savings were identified.</p> <p>IA regularly monitor the on-line progress reports to ensure all relevant matches are investigated.</p>
<p>12. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?</p>	Yes		<p>A 'Financial Regulations Guidance Note' exists for money laundering. This explains to staff what to do when fraud is suspected.</p> <p>IA have issued a Manager's Briefing Note in this area.</p>
<p>13. Do we have effective whistle blowing arrangements?</p>	Yes		<p>An effective whistle blowing policy exists which is readily accessible by staff. There are nominated Senior officers to lead in whistle blowing cases.</p>

Specific area	Yes	No	Comment and 2011/12 Action Points
14. Do we have effective fidelity insurance arrangements?	Yes		All staff are covered to the value of £15m. This is in line with other comparable Local Authorities.
Fighting fraud with reduced resources			
15. Have we reassessed our fraud risks since the change in the current financial climate?	Partial		IA revise the IA Plan every 6 months as a minimum. Emerging risks are recorded for potential inclusion in the IA Plan and IA take account of important fraud publications e.g. the Audit Commission's 'Protecting the Public Purse'. IA are currently performing an exercise to evaluate areas of deteriorating internal control following spending cuts. A fraud workshop is planned in 2011/12 to produce a Corporate fraud risk register. A separate Action Plan exists to address risks arising from recent Bribery legislation.
16. Have we amended our counter-fraud action plan as a result?	Yes		The IA Plan will be revised where necessary.

Specific area	Yes	No	Comment and 2011/12 Action Points
17. Have we reallocated staff as a result?		No	Not necessary, as adequately trained and qualified staff exist within IA and the Benefits Fraud team.
Current risks and issues			
Housing tenancy			
18. Do we take effective action to ensure that social housing is allocated only to those who are eligible?	Yes		The Council reviews the relevant NFI matches in this area. The 2011/12 IA Plan includes this area. A dedicated whistle blowing 'hotline' for suspected tenancy fraud exists. Cases are investigated by Neighbourhoods staff.
19. Do we ensure that social housing is occupied by those to whom it is allocated?	Partial		The Council reviews the relevant NFI matches in this area. The 2011/12 IA Plan includes this area. A dedicated whistle blowing 'hotline' for suspected tenancy fraud exists. Cases are investigated by Neighbourhoods staff. IA are currently considering working with Fujitsu to perform a data matching exercise in this area.
Procurement			
20. Are we satisfied our procurement controls are working as intended?	Yes		Recent IA review concluded controls were adequate. This area is reviewed annually by IA.

Specific area	Yes	No	Comment and 2011/12 Action Points
21. Have we reviewed our contract letting procedures since the investigations by the OFT into cartels and compared them with best practice?	Yes		Contract terms and conditions were amended in EDS to take account of this.
Current risks and issues			
Recruitment			
22. Are we satisfied our recruitment procedures achieve the following: <ul style="list-style-type: none"> • Do they prevent the employment of people working under false identities; • Do they confirm employment references effectively; • Do they ensure applicants are eligible to work in the UK; and • Do they ensure agencies supplying us with staff to undertake the checks that we require? 	Yes		Robust procedures are now in place and have recently been audited. The use of agency workers is diminishing significantly. The NFI matches concerning eligibility to work in the UK are always reviewed.

Specific area	Yes	No	Comment and 2011/12 Action Points
Personal budgets			
23. Where we are expanding the use of personal budgets for social care, in particular direct payments. have we introduced proper safeguarding arrangements proportionate to risk and in line with recommended good practice?	Partial		This area is included in the 2011/12 IA Plan.
24. Have we updated our whistle blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets ?	Partial		<p>This area is included in the 2011/12 IA Plan.</p> <p>Suspected abuse is reported via a single point of contact, Rothercare Direct, and by direct contact with local authority staff. Where service users employ their own staff they are assisted to do so by Action for Employment (A4E), and the necessary checks are made to establish the suitability of the candidate including ID check, references, ability to work in the UK and CRB.</p> <p>An awareness campaign is running on local Radio to alert the general public to issues of abuse and the mechanisms for reporting suspected abuse.</p>

Specific area	Yes	No	Comment and 2011/12 Action Points
Council tax			
25. Are we effectively controlling the discounts and allowances we give to council taxpayers?	Yes		<p>The Council reviews the relevant NFI matches and volunteered to be a 'pilot' in this specific area as part of the NFI 2009/10 exercise, resulting in significant savings.</p> <p>For 2012/13 the Council is planning to work with Experian to assist in this area.</p>
Housing and council tax benefits			
26. When we tackle housing and council tax benefit fraud do we make full use of: <ul style="list-style-type: none"> • The National Fraud Initiative [NFI]; • Department for Work and Pensions; Housing Benefit Matching Service; • Internal data matching; and • Private sector data matching? 	Partial		<p>We fully utilise the NFI and the Benefits Fraud Team make full use of the Housing Benefit Matching Service.</p> <p>IA also performs a degree of internal data matching.</p> <p>Further data matching is planned in 2012 in the following areas:</p> <ul style="list-style-type: none"> • Council Tax Discounts • Housing tenancies. <p>There may be scope for further data matching.</p>