

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive & Town Clerk
to
Audit Committee
on
22nd September 2010

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Anti Fraud & Corruption Update Report

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the delivery of the Council's Anti Fraud and Corruption strategy.

2. Recommendation

- 2.1 **The Audit Committee approves the report.**

3. Policies, strategies, action plan and overall arrangements

- 3.1 In order to further strengthen the Council's overall Anti Fraud and Corruption arrangements, the remit of the current Housing Benefit Investigation Team is being extended. In future it will be responsible for investigating all fraud and corruption allegations wherever they arise within the Council. Having a Corporate Fraud Team rather than one that just focuses on housing benefit reinforces the corporate stance of zero tolerance to fraud and corruption. It also ensures that investigations are undertaken by appropriately qualified staff.

- 3.2 It will be necessary therefore to update the following policies, strategies and action plan over the next few months:

- Anti Fraud & Corruption
- Prosecution
- Whistleblowing
- Money Laundering

- 3.3 The main changes are to:

- make the Corporate Fraud Team the key contact for any initial enquires

- redefine the relationships between the Corporate Fraud Team, Internal Audit, HR, the Section 151 Officer (Head of Finance and Resources), the Monitoring Officer (the Head of Democratic Services) and the Head of Paid Service (the Chief Executive) where necessary
- amend the Money Laundering Policy to reflect the updated good practice guidance, Proceeds of Crime (Anti-Money Laundering) Practical Guidance for Public Service Organisations from CIPFA issued in 2009
- update the action plan for delivering these strategies in 2010/11.

3.4 The updated Anti Fraud & Corruption and Prosecution Policy Statement, Strategy and Action Plan is a separate item on this agenda. As these documents are produced they will be presented to the Audit Committee for challenge before being sent to Cabinet for approval.

4. Awareness raising programme 2010/11

4.1 Castle Point Borough Council and Southend-on-Sea Borough Council have jointly developed an awareness raising programme for 2010/11. The intention is to reconnect with Rochford District Council and the other significant partners over the next few months to see whether they want to work with us on this. A secure web site has been set up so that good practice, common documents, awareness raising and training material etc can be shared effectively across partners.

4.2 The main activities that are being developed for delivery before March 2011 are:

- a session that managers / schools will be required to have with their staff as part of a team meeting. This will consist of:
 - a briefing note outlining the new arrangements, reinforcing the need to report all potential concerns regardless of whether the service wants support in investigating them
 - some very brief scenarios of either inappropriate behaviour or potential fraud / corrupt situations. Having discussed the scenarios, the teams will be given options regarding the action that should be taken (if any). Managers will be provided with an answer that reflects how the Council would want to see that particular issue dealt with.
- a short, facilitated session to be delivered to teams where procurement or contract management are significant part of their function. This will focus on making sure these staff:
 - are aware of the potential fraud and corruption risks inherent in these activities
 - understand the types of controls that are required to mitigate these risks
 - know what action to take should any of these things occur.
- a guide that summarises:

- the key, inherent fraud and corruption risks that are present within the activities that the Council undertakes
- the key controls that need to be in place to prevent their occurrence.

4.3 Work is also underway to develop an anti fraud and corruption intranet site as well as update the posters and leaflets used both internally and externally.

5. National Fraud Initiative (NFI) / Data Warehouse

5.1 The Council is due to provide the Audit Commission with the required data to input into the next NFI exercise in October 2010. The data matches from this exercise will be received on 25 January 2011.

5.2 As highlighted in a previous report, there have been issues with the quality of data submitted for data matching in some areas. Historically, this exercise has generated very few cases that are potential frauds and require a proper investigation. Where matches have occurred due to poor quality data or inconsistent information within a system, this has not always been corrected. So the same matches get generated each time the NFI exercise is undertaken.

5.3 Therefore, it has been agreed by the Corporate Management Team that service departments will investigate matches arising from data submitted from their systems. **Appendix 1** lists the data sets the Council will receive from this exercise and who will review them. If it appears that there is a potential fraud, this will be passed to the Corporate Fraud Team to investigate. If the match is due to data quality or accuracy issues, the service team will be required to update the system accordingly. They will also be provided with access to the Audit Commission's web based application so reasons for each match can be input directly.

5.4 Some matches are still outstanding from the 2008 NFI exercise relating to council tax, blue badges and concessionary travel passes. These are currently being followed up by the relevant services. Out of 15,767 data matches arising from this exercise (excluding those relating to housing benefits), only 10 have been identified as potential frauds. These are currently being investigated.

5.5 Once the awareness raising programme for the year has been launched, work will start on developing an in house data matching approach.

6. Corporate Implications

6.1 Contribution to Council's Aims, Priorities and Outcomes

Effectively managing the risk of fraud and corruption contributes to the delivery of all Council priorities.

Each service identifies its own risks in this area linked to the relevant priority.

6.2 Financial Implications

Any financial implications arising from identifying and managing risk will be considered through the normal financial management processes.

Proactively managing risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

Proactive fraud and corruption audit work acts as a deterrent against financial impropriety and it might identify financial loss.

6.3 Legal Implications

The Accounts and Audit Regulations 2003 require that:

The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.

Therefore failure to effectively manage the risk of fraud would be a breach of a statutory duty.

6.4 People Implications

None

6.5 Property Implications

None

6.6 Consultation

This report has been drafted in consultation with the Group Manager - Investigations.

6.7 Equalities and Diversity Implications

None

6.8 Risk Assessment

Failure to implement a robust assurance framework which includes fit for purpose risk management arrangements increases the risk that Council objectives will not be delivered.

6.9 Value for Money

See financial implications.

6.10 Community Safety Implications

None

6.11 Environmental Impact

None

7. Background Papers

- Audit Commission, Use of Resources, Key Lines of Enquiry
- ALARM Publication: Managing the Risk of Fraud
- CIPFA Publication: Managing the Risk of Fraud
- Audit Commission: Protecting the Public Purse: Local Government Fighting Fraud

8. Appendix

- Appendix 1: Service Areas to Review Audit Commission NFI Data Sets