

Agenda item:

Title of meeting: Governance & Audit & Standards

Date of meeting: 7th November 2014

Subject: Anti-Fraud, Bribery and Corruption & Investigations Update

Report by: City Solicitor & Strategic Director
Head of Finance & S151 Officer

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1 To provide Members with statistical information on fraud as required by the Local Government Transparency Code 2014.
- 1.2 To provide Members with an update on the Counter Fraud work currently being undertaken.
- 1.3 For Internal Audit to report on 3 investigations since the last report to this Committee in January 2014.
- 1.4 To present to Members the updated Anti-Fraud, Bribery and Corruption Action Plan.

2. Recommendations

- 2.1 That Members note and endorse the Counter Fraud work currently being undertaken within the Authority and the future developments as detailed in Section 5
- 2.2 Note the contents of the investigations report detailed in Appendix B
- 2.3 Note and endorse the Anti-Fraud, Bribery and Corruption Action Plan in Appendix C

3. Background

- 3.1 The Department for Communities & Local Government (DCLG) has published the Local Government Transparency Code 2014. The Code requires Local Authorities to publish certain information on fraud. This is provided in Section 6 of this report.
- 3.2 Special Investigations as detailed in Appendix B are reported as part of the protocol within the Audit Charter and Code of Ethics. All audits where material

system weaknesses are found are reported to the Governance and Audit and Standards Committee. With special investigations this is done once all the disciplinary and appeals processes are exhausted and this is the first opportunity to report on the findings following the completion of cases through the Authority's process and procedures.

- 3.3 All investigations undertaken by Internal Audit are directed by the Investigation Steering Panel (ISP). The Panel consists of Michael Lawther, Strategic Director, City Solicitor & Monitoring Officer, Chris Ward, Head of Finance & s151 Officer (as part of their roles within the City Constitution), Jon Bell Head of HR, Legal & Performance Improvement, and Elizabeth Goodwin, Deputy Chief Internal Auditor.

4. Transparency Information

- 4.1 The DCLG Transparency Code 2014 requires Local Authorities to publish certain statistics in relation to Fraud.

- 4.2 The information required for 2013/14 is as follows:

The number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers

- Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014 - Nil (note this power was not effective until 2014/15)
- Authorised Powers to obtain information from Financial Institutions - 109B(2A) Social Security Administration Act 1992 - 60 times
- Authorised Powers to obtain information from employers - 110A Social Security Administration Act 1992 - 69 times

Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud

- Benefit Counter Fraud Officers 6 staff, 5.8 FTE
- Parking Investigator 1 staff 1 FTE
- Internal Audit - 2 staff, 1FTE

Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists

- Benefit Counter Fraud Officers 6 staff, 5.8 FTE
- Parking Investigator 1 staff, 1 FTE
- Internal Audit 3 staff, 2.86 FTE

Total amount spent by the authority on the investigation and prosecution of fraud

- Estimated - benefits fraud investigations £225K, Parking Investigations £43k, Corporate investigations - £32k

Total number of fraud cases investigated (cases referred)

- Housing Benefit/Council Tax Reduction - 622
- Parking Investigator - 160
- Council Tax Discounts (Credit Reference Agency data matching) - 1370
- Corporate Fraud - 16

- 4.3 Local Authorities are required to report annually to the Audit Commission cases of fraud detected in the financial year with values. This survey covers fraud in 20 areas across the Authority. Appendix A provides a summary of the statistics provided over the past three financial years.
- 4.43 The figures show a spike for council tax single person discount in 2013/14, this is due to the Local Taxation team using a credit reference agency to highlight properties where the agency data showed more than one adult occupier in a property claiming single person discount. The exercise resulted in 560 discounts being cancelled with a total value of £172,470.49 and cost £19,700 so a net gain of £152,770.49.

5. Counter Fraud Programme

Special Investigations

- 5.1 Appendix B gives Members summaries of the 3 completed investigations undertaken by Internal Audit between January 2014 and October 2014 including the background, issues, findings, outcomes & actions taken.
- 5.2 Any investigations that are currently underway or have not yet reached the end of the Authority's processes and procedures will be reported at the next available time.

Anti-Fraud, Bribery and Corruption Action Plan

- 5.3 Appendix C details the agreed actions and proposed timescales for corporate anti counter fraud activities, along with progress made to date.
- 5.4 These actions have already been agreed by this Committee to ensure that an appropriate anti-fraud, bribery and corruption culture is embedded throughout the Authority. This aids in the prevention of fraud and actions of corruption, raises staff and member awareness in relation to responding and reporting suspected acts of dishonesty.

National Fraud Initiative

- 5.5 The Authority is required to take part in the National Fraud Initiative, this is a data matching exercise run by the Audit Commission (responsibility to be transferred to the Cabinet Office) which matches data held by Portsmouth City Council, other local authorities and other public bodies.
- 5.6 There are two separate exercises that are now run as part of NFI, the main exercise which is run bi-annually, (2014/15). This exercise covers a range of data including:

- Housing Benefit
- Accounts Payable
- Payroll
- Housing Tenancy
- Parking permits
- Blue Badges
- Private Hire Licences
- Personal Alcohol Licences
- Concessionary Fares

- 5.7 The 2014/15 exercise is currently underway, all of the data has been provided to NFI and the results of the data matching will be released in January 2015. An update on progress will be provided in the next Anti-Fraud update.
- 5.8 The second data match provided by NFI is an annual match between the electoral register and single person discounts for Council Tax. In 2014 1053 cases were highlighted for review through the NFI data matching. The reviews were undertaken by the Local Taxation team and as a result 210 discounts were cancelled as either fraudulent or errors, equating to £33,313.82.

Changes to Fraud Investigation

- 5.9 In the Autumn Statement by the Chancellor of the Exchequer on 5 December 2013, the announcement was made that a single fraud investigation service for benefit fraud was to be created combining the work of the Department of Work & Pensions (DWP) and Local Authorities. In 2015 the responsibility for investigating benefit fraud will transfer from Portsmouth City Council to the DWP.
- 5.10 The DCLG recently gave local authorities the opportunity to bid for funds from its Counter Fraud Fund to enable skills to be retained and local authorities to work in partnership once the responsibility for benefit fraud is transferred to the DWP. Portsmouth City Council submitted a partnership bid with a selection of other Hampshire Local Authorities. The DCLG is due to publish the successful bids at the end of October 2014.

6. Equality impact assessment (EIA)

- 6.1 The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

7. Legal Implications

- 7.1 The Legal comments are embodied with this report.

8. Finance Comments

- 8.1 There are no financial implications arising directly from the recommendations contained within this report

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Signed by: Michael Lawther, City Solicitor & Strategic Director

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Signed by: Chris Ward, Head of Finance & S151 Officer

Appendices:

Appendix A - Audit Commission Fraud Return Statistics

Appendix B - Summary of completed investigation (Corporate fraud)

Appendix C - Anti-Fraud, Bribery & Corruption Action Plan

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Previous annual reports	www.portsmouth.gov.uk
Fraud Statistics	Internal Audit & other department databases
Investigation reports	Internal Audit
DCLG Local Government Transparency Code	https://www.gov.uk/government/publications/local-government-transparency-code-2014
DCLG Counter Fraud Fund	https://www.gov.uk/government/publications/counter-fraud-fund
National Fraud Initiative	http://www.audit-commission.gov.uk/national-fraud-initiative/
Annual Fraud Survey	Internal Audit
SFIS	https://www.gov.uk/government/collections/single-fraud-investigation-service

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by Governance & Audit & Standards Committee on 7th November 2014

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Signed by: