

AUDIT COMMITTEE

Corporate Anti-Fraud Update 20th January 2016

Report of Internal Audit & Assurance Manager

PURPOSE OF REPORT

To provide Members with an update regarding the Council's approach to combatting fraud and corruption in the context of the latest national reports and to seek Members' comments on and support for the Council's strategy and the arrangements that are being developed.

This report is public

RECOMMENDATIONS

- (1) That the report is noted
- (2) That the approach to developing the Council's corporate anti-fraud arrangements and strategy is endorsed.

1.0 Introduction

- 1.1 The financial year 2015/16 has been a watershed for many local authorities in their arrangements for combatting fraud. Under the national transfer of housing benefit fraud investigation to the Single Fraud Investigation Service (SFIS), a number of staff previously employed under the Revenues and Benefits Shared Service with Preston City Council transferred to the Department for Work and Pensions (DWP) on 1st June 2015.
- 1.2 This report provides an update on the Council's actions in response to this significant change and its current positioning in relation to recently reported national statistics and trends.

2.0 Shared Corporate Fraud Team

- 2.1 At its meeting on 21st January 2015 the Audit Committee supported proposals for the creation of a corporate anti-fraud team in collaboration with Preston City Council and Fylde Borough Council.
- 2.2 Following finalisation of the arrangements for this collaboration, the new team commenced operations on 1st June 2015. The Lancaster side of the operation is sited alongside the Internal Audit team and the Corporate Fraud Manager reports functionally to the Internal Audit and Assurance Manager.
- 2.3 The Corporate Fraud Manager has been invited to attend the meeting to provide Members with a verbal presentation giving an insight into the work of team, an update on the results achieved so far and an indication of how the strategy is being developed.

3.0 National Fraud Reports

3.1 The Council has recently received the following reports:

- Protecting The English Public Purse 2015 (Fighting fraud against English Councils)
- Fraud Briefing 2015 (a locally tailored summary based on the Council's contributions to the national report)

3.2 The reports are based on the submissions made by English local authorities in a national Fraud Survey. The reports were previously developed and issued by the Audit Commission via the appointed external auditor but following the closure of the Commission the process is managed by The European Institute for Combatting Corruption And Fraud (TEICCAF).

3.3 The national Protecting The English Public Purse 2015 report has been circulated to Members and is available on the Council's intranet. An extract giving the report's summary and recommendations is attached as Appendix A. As in previous years, the overriding message from the report concerns the varying capacity of local authorities to address fraud and the correlation between the deployment of counter fraud resources and the identification of fraud.

3.4 The Fraud Briefing 2015 is attached as Appendix A. The main points to note are:

- Lancaster's total number of cases identified (84) and the value detected (£171.5k) were closely aligned with our comparator council average. (page 5 of the briefing). These cases were all either housing benefit (HB) or Council Tax benefit (CTB) frauds.
- In common with the majority of councils, no cases were detected of Council Tax Discount Fraud (page 7), tenancy fraud (page 8) Right to Buy fraud (page 9) or other frauds (page 10)

3.5 Members are asked to consider the questions raised on pages 6 and 11 of the Fraud Briefing and the recommendations in the national Protecting the English Public Purse report, in the context of the new arrangements made for corporate fraud.

4.0 National Fraud Initiative

4.1 Lancaster City Council has a legal duty to protect the public funds it administers and to take measures to prevent and detect fraud. One of these measures is sharing information with other bodies responsible for administering and auditing public funds via the National Fraud Initiative (NFI).

4.2 The NFI matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. Public sector bodies are required to submit data to National Fraud Initiative on a regular basis this being in line with a set timetable, defined data requirements and data specifications.

4.3 The council participates in an annual data matching exercise surrounding Council Tax payers' receipt of a Single Person Discount (SPD). For this purpose, the Council provides data to the Cabinet Office in relation to:

- Council tax payers; and
- Persons on the electoral register

- 4.4 A biennial data matching exercise is also carried out which involves submitting data in relation to:
- Trade creditors
 - Payroll
 - Residents' parking permits
 - Concessionary travel passes
 - Insurance claimants
 - Council Housing tenants and
 - Licenses (including taxi drivers, personal licenses to sell alcohol, market traders/operators)
- 4.5 The Data Protection Act 1998 requires NFI participants to inform individuals that their data will be processed by publishing what is known as a fair processing notice. The key contact for each body is also required to submit a declaration via the secure NFI application confirming that they are following fair processing notification requirements. For data processing to be fair, data controllers are required to give individuals whose data is to be processed the identity of the data controller, the purpose for which the data may be processed and any further information which is necessary to enable the processing to be fair.
- 4.6 The Chief Officer (Resources) is responsible for ensuring that the Council meets the statutory requirements for the NFI and has nominated two Key Contacts for this council; the Internal Audit and Assurance Manager, and the Principal Auditor. Key Contacts are responsible for fulfilling data protection requirements; ensuring that the data format guidance and data specifications are followed; coordinating and monitoring the overall exercise, and ensuring that outcomes from the investigation of matches are recorded on the web application promptly.
- 4.7 The last biennial exercise took place in 2014/15, data being uploaded to the secure NFI web application in October 2014 and matches being available to view from February 2015. Headline results from this exercise are as follows:
- The Authority has investigated 90.1% of the 1,991 matches returned for its attention;
 - No positively proven fraudulent activity has been identified as part of this exercise;
 - To date 22 errors have been found, these totaling £16,331 and recovery of this amount is currently in hand.
- 4.8 The 2015/16 data matching exercise for Council Tax Single Person Discount Fraud is currently underway, matches having been made available from 3rd December 2015. Monitoring as at 22/12/15 shows that the Authority is currently processing 72 of the 726 matches reported on 3rd December 2015.
- 5.0 Details of Consultation**
- 5.1 None specific to the matters covered in this report.
- 6.0 Options and Options Analysis (including risk assessment)**
- 6.1 The report is for noting.
- 7.0 Conclusion**
- 7.1 The establishment of the shared corporate fraud team marks a significant change in the Council's approach to combatting financial crime. Updates on the team's work and the outcomes achieved will be reported to future meetings of the Committee.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

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