

**AUDIT COMMITTEE**  
**25 SEPTEMBER 2013**  
**CORPORATE FRAUD**

Report from: Internal Audit

Author: Alison Russell, Audit Services Manager

**Summary**

To inform Members of matters relating to corporate fraud, including outcomes of investigations, fraud referrals received by Audit Services, and twice yearly updates on the Fraud Resilience Strategy.

This report does not include details of any investigations that need to be reported as exempt items.

**1. Budget and Policy Framework**

1.1 It is in the remit of the Audit Committee to take decisions regarding accounts and audit issues.

**2. Background**

2.1 The Anti-Fraud and Corruption Policy, updated 17 August 2012, forms part of the Council's Constitution and sets out the council's commitment to ensuring the opportunity for fraud and corruption is reduced to the lowest possible risk.

2.2 Prosecutions, cautions and administrative penalties relating to benefits and council tax reductions are reported in **Annex A**, along with a year on year comparison of identified overpayments with prior two years. This report relates to Quarter 1 of 2013/14. There is an outstanding issue in relation to prosecution (ref 12695), which was discharged by Magistrates as a consequence of CPS's conduct of the prosecution. This has been escalated by Audit Services and Department for Work and Pensions to senior CPS officers who propose making application to the court to reinstate the case.

2.3 Records of other external fraud referrals and investigations are recorded in **Annex B**. This report provides details of any fraud investigations pertaining to council services (other than benefits and council tax reductions) – for instance Blue Badges and Tenancy arrangements. The report also records information regarding external fraud perpetrated against the council such as mandate and cheque frauds.

2.4 Audit Services are responsible for investigating all suspected fraud perpetrated against the council by employees and contractors. **Annex C** provides an update on three internal fraud and irregularity investigations. The report includes a record of

any control weaknesses identified and management actions put in place to strengthen existing arrangements.

- 2.5 The 2012/14 Fraud Resilience Strategy contained a number of actions to progress in order to strengthen the council's resilience to fraud. **Annex D** provides a record of progress to date. The document confirms that 23 actions have been completed, 8 actions relating to specific business areas are due to be addressed as part of the 2013/14 audit plan. Of the 7 remaining actions, and plans are in place to address the remaining 7 actions. The strategy will be reviewed for March 2014.

### **3. Risk Management, Financial and Legal implications**

- 3.1 There are no risk management, financial or legal implications arising from this report.

### **4. Recommendations**

- 4.1 Members are asked to note progress in investigating benefit fraud in accordance with the approved Anti Fraud and Corruption Policy.

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#### **Background papers**

Sanction Policy (revised 2006) & Anti-Fraud & Corruption Policy (updated August 2012)  
Fraud Resilience Strategy 2012/14– last presented to Audit Committee March 2013

## External Investigation Outcomes

**Table 1 – Benefits & Council Tax Reductions / Discounts - Prosecutions completed in the 1<sup>st</sup> Quarter 2013/14**  
 (Amounts of overpayments outstanding as at 03/09/13)

<b>Prosecutions</b>					
<b>Case ref.</b>	<b>Fraud Type</b>	<b>Fraudulent overpayment £</b>	<b>Period of overpayment or Evasion of liability</b>	<b>Court, date and sentence</b>	<b>Comment</b>
11131 / 1040980	Cap	£3,062.03 (HB/CTB)	16/05/08 – 21/11/10	Medway Magistrates	Medway led investigation, prosecuted by Medway.
		£4,337.90 (Income Support)	25/01/08 – 19/11/10	April 2013  100hrs unpaid work to be completed within 12 mths. Costs of £250.	Housing Benefit overpayment is currently being recovered from ongoing Housing Benefit entitlement at the rate of £18.00pw. The current amount outstanding is £1,640.97.
12799/ 31441	W&C	£2,915.45 (HB/CTB)	26/09/11 – 29/04/12	Medway Magistrates	Department for Work and Pensions led prosecution, prosecuted by Crown Prosecution Service.
		£3,907.33 (IS)	22/09/11 – 25/03/12	April 2013  3mth Curfew Order & £85 costs.	HB O/P being recovered from ongoing benefit at the rate of £18.00pw. The current amount outstanding is £2,462.33.
11748 / 1037489	W&C	£1,515.54 (HB/CTB)	07/12/09 – 09/05/11	Medway Magistrates	Department for Work and Pensions led prosecution, prosecuted by Crown Prosecution Service.
		£1,122.64 (JSA)	28/05/02 – 27/05/12	May 2013  40hr Community Punishment Order.	HB O/P passed for Bailiff action after claimant moved out of Medway area. The current amount outstanding is £1,745.91.

Prosecutions					
Case ref.	Fraud Type	Fraudulent overpayment £	Period of overpayment or Evasion of liability	Court, date and sentence	Comment
12155 / 1012231	LT	£0.00 (CTB) (Prior to appeal was £1,373.21)  £0.00 (IS) (Prior to appeal was £22,453.23)	N/A  N/A	Medway Magistrates  May 2013  Defendant was found <u>not guilty</u> .	Department for Work and Pensions led prosecution, prosecuted by Crown Prosecution Service.  Claimant was found not guilty as the court accepted the alleged partner, a compulsive gambler, had used the claimant's address to enable him to obtain credit. They considered that whilst lots of evidence appeared to link him to the claim address there was insufficient evidence to prove beyond reasonable doubt that he had been living with the claimant and contributing to her household.  Her benefits appeal was subsequently upheld and the Income Support and CTB overpayments were overturned.
12588 / 1034688	LT	£2,482.89 (CTB)  £11,504.35 (IS)  £26,278.91 (Tax Credits)	20/10/08 – 25/01/12  14/10/08 – 08/03/12  14/10/08 – 08/03/12	Medway Magistrates  May 2013  Must attend Probation Service with Responsible Officer at the times and places as directed. 12mths electronic monitoring. Must undertake Prospects Women's Group for 12 days.	Department for Work and Pensions led prosecution, prosecuted by Crown Prosecution Service.  The outstanding Council Tax debt to the authority, totalling £3,173.76 was paid in full on 04/01/13.

Prosecutions					
Case ref.	Fraud Type	Fraudulent overpayment £	Period of overpayment or Evasion of liability	Court, date and sentence	Comment
12695 1058014 1044839	LT	£21,350.58 (HB/CTB)  £9,614.21 (IS)	21/09/09 – 04/07/12  17/09/09 – 26/06/12	Medway Magistrates  May 2013  <u>Case discharged*</u>	<p>Department for Work and Pensions led prosecution, prosecuted by Crown Prosecution Service.</p> <p>* The committal papers were not at court for the hearing of 07/05/13. The Crown Prosecution Service requested an adjournment but the court refused the adjournment and discharged the case. Medway &amp; DWP have escalated the outcome through the CPS Head of Unit in an attempt to get the prosecution resurrected. At present the file remains open pending the outcome of the CPS reconsideration.</p> <p>The HB overpayment totalling £19,205.79 remains outstanding. In February the claimant offered to repay the debt at the rate of £5pw. This offer was declined &amp; she was invited to complete a means enquiry with details of her household income. She failed to declare her partner's income &amp; a further request was sent to her in July 2013. The Recovery Team will make further contact in order to reach an agreement regarding recovery.</p>
11909 / 1017013	LT	£7,588.87 (HB/CTB)  £3,971.04 (IS)	22/03/10 – 30/05/11  22/03/10 – 19/05/11	N/A  N/A  N/A*	<p>Department for Work and Pensions led prosecution, which was to be prosecuted by Crown Prosecution Service.</p> <p>* The Medway offences were authorised for prosecution on 16/12/11 &amp; the paperwork forwarded to the Department for Work and Pensions.</p>

Prosecutions					
Case ref.	Fraud Type	Fraudulent overpayment £	Period of overpayment or Evasion of liability	Court, date and sentence	Comment
					<p>The Crown Prosecution Service determined the Department for Work and Pension's Decision Maker had erred and the overpayment should have been calculated for a longer period. CPS instructed the Department for Work and Pensions to resubmit the file for a further benefit determination.</p> <p>It appears there was some delay in DWP obtaining a further decision, which probably explains why CPS subsequently rejected the case.</p> <p>HB O/P being recovered from ongoing benefit at the rate of £18.00pw. The current amount outstanding is £5,754.19.</p>
12515 / MC922	LT	<p>£4,818.81 (HB/CTB)</p> <p>£2,426.78 (IS)</p>	<p>01/04/11 – 08/03/12</p> <p>01/04/11 – 08/12/11</p>	<p>Medway Magistrates</p> <p>June 2013</p> <p>8 week tag order between 9pm and 6am and costs of £150.</p>	<p>Department for Work and Pensions led investigation, prosecuted by Crown Prosecution Service.</p> <p>Claimant appealed against the rate of recovery as she was experiencing difficulty in meeting all her debts. After completion of a means enquiry Medway agreed to reduce the rate of recovery from ongoing benefit to £5pw for a 6mth period, after which it would be reviewed. On 09/09/13 a change of circumstances notification was received, which will result in reconsideration of the rate of recovery.</p>

<b>Prosecutions</b>					
<b>Case ref.</b>	<b>Fraud Type</b>	<b>Fraudulent overpayment £</b>	<b>Period of overpayment or Evasion of liability</b>	<b>Court, date and sentence</b>	<b>Comment</b>
12804 / 1041268	LT	£19,180.33* (HB/CTB)  £11,364.36* (IS)  £22,742.92* (Tax Credit)	09/03/09 – 22/07/12*  05/03/09 – 23/06/12*  09/03/09 – 23/09/12*	Medway Magistrates  June 2013  60 days imprisonment, suspended for 2years, plus £100 costs.	Department for Work and Pensions led investigation, prosecuted by Crown Prosecution Service.  * The total HB/CTB/IS O/P identified was £30,544.69 however, due to strength of evidence and admissions made in interview; a decision was taken to prosecute for a shorter period i.e. from 01/12/11.  Claimant is no longer in receipt of Benefits but is keeping to an arrangement to repay the Housing Benefit overpayment at the rate of £70pcm. The current amount outstanding is £14,630.
12933 / 1065746	WC	£1,726.58 (HB/CTB)  £1,761.13 (JSA)	20/02/12 – 31/03/13  13/02/12 – 21/09/12	Medway Magistrates  June 2013  £300 fine.	Department for Work and Pensions led investigation, prosecuted by Crown Prosecution Service.  Claimant is no longer in receipt of Benefits but is keeping to an arrangement to repay the Housing Benefit overpayment at the rate of £30pcm. The current amount outstanding is £779.64.
12679 / 1061389	LT	£7,675.25 (HB/CTB)  £3,509.00 (IS)	05/09/11 – 02/09/12  01/09/11 – 22/08/12	Medway Magistrates  May 2013  12 mth Community Order with 80hrs unpaid work.	Department for Work and Pensions led investigation, prosecuted by Crown Prosecution Service.  Overpayment was being recovered from ongoing benefit however claim ended 14/07/13 when partner returned to work. Claimant has recently made an arrangement to

<b>Prosecutions</b>					
<b>Case ref.</b>	<b>Fraud Type</b>	<b>Fraudulent overpayment £</b>	<b>Period of overpayment or Evasion of liability</b>	<b>Court, date and sentence</b>	<b>Comment</b>
					repay the outstanding balance outstanding of £5,073.20 at the rate of £50pcm.
12669 / BA3391	LT	£24,561.11 (HB/CTB)	24/03/03 – 23/05/12	Medway Magistrates  June 2013  60 days imprisonment for each offence to run concurrently, suspended for 2 years.	Medway investigation, prosecuted by Medway.  Overpayment was being recovered from ongoing benefit however claim ended 29/04/13 as a consequence of claimant failing to supply information in support of her joint claim. Claimant subsequently made an arrangement to repay the debt at the rate of £40pcm. The current amount outstanding is £20,180.63.
<b>Totals (£)</b>		<b>£96,877.44 (HB/CTB)</b>  <b>£53,518.74 (DWP)</b>  <b>£49,021.83 (Tax Credits)</b>			



**Table 2 – Benefits & Council Tax Reductions / Discounts – Cautions issued in the 1<sup>st</sup> Quarter 2013/14**  
 (Amounts of overpayments outstanding as at 09/09/13)

<b>Cautions</b>					
<b>Case ref.</b>	<b>Fraud Type</b>	<b>Fraudulent overpayment £</b>	<b>Period of overpayment or Evasion of liability</b>	<b>Date Caution accepted</b>	<b>Comment</b>
12803 / 77135	WC	£194.26 (HB/CTB)	27/02/12 – 24/06/12	June 2013	<p>Department for Work and Pensions led investigation.</p> <p>Initial sanction decision by Medway was to offer a Caution. DWP decided on an Administrative Penalty (Adpen) as it is no longer FIS policy to issue Cautions.</p> <p>Claimant failed to attend a total of 3 x Adpen / Caution interviews. Medway / DWP therefore agreed it would be appropriate to prosecute. The matter was therefore referred to Crown Prosecution Service who issued a summons.</p> <p>At first hearing defence counsel requested an adjournment and consideration of a Caution for both DWP &amp; Local Authority Offences.</p> <p>Whilst it is no longer DWP policy to issue Cautions the CPS are obliged to consider this method of disposal where the circumstances of the case are appropriate. CPS therefore considered the request and at the subsequent hearing agreed to the issue of a Caution.</p> <p>Housing Benefit overpayment has been recovered in full from ongoing entitlement.</p>
		£1,192.14 (JSA)	20/02/12 – 18/06/12		

<b>Cautions</b>					
<b>Case ref.</b>	<b>Fraud Type</b>	<b>Fraudulent overpayment £</b>	<b>Period of overpayment or Evasion of liability</b>	<b>Date Caution accepted</b>	<b>Comment</b>
13053 / 1034708	WC	£288.28 (HB/CTB)	09/07/12 – 07/10/12	June 2013	<p>Department for Work and Pensions led investigation.</p> <p>Claimant admitted the offence during interview under caution. Given this admission and the circumstances of the case Medway felt the offer of a Caution was appropriate. As it is no longer DWP policy to issue Cautions the claimant was offered and accepted an Administrative Penalty for the DWP offence.</p> <p>The Housing Benefit overpayment is currently being recovered at the rate of £10.80pw. The current amount outstanding is £90.83.</p>
		£943.34 (JSA)	02/07/12 – 02/10/12		
<b>Totals</b>		<b>£482.54</b> (HB/CTB)  <b>£2,135.48</b> (DWP)			

**Table 3 – Benefits & Council Tax Reductions / Discounts – Administrative Penalties issued in the 1<sup>st</sup> Quarter 2013/14**

<b>Cautions</b>					
<b>Case ref.</b>	<b>Fraud Type</b>	<b>Fraudulent overpayment £</b>	<b>Period of overpayment or Evasion of liability</b>	<b>Court, date and sentence</b>	<b>Comment</b>
None	N/A	N/A	N/A	N/A	N/A

**Table 4 – Benefits, Council Tax Reduction and Single Person Discount overpayments identified and recorded by the Corporate Anti-Fraud Team during the 1<sup>st</sup> Quarter 2013/14 – With comparison to the same quarter in previous financial years.**  
 (The figure in brackets denotes the number of cases with identified overpayments).

<b>Types of overpayment</b>	<b>1st Qtr 2011/12 £</b>	<b>1st Qtr 2012/13 £</b>	<b>1st Qtr 2013/14 £</b>
Housing & Council Tax benefit (HB/CTB)	205,708.66	186,151.10	120,228.23
Single Person Discount (SPD)	0	0	0
DWP benefits	262,789.35	85,343.65	122,053.27
Other (e.g. Tax Credits)	591.88	26,278.91	0
<b>Totals</b>	<b>469,089.89 (33)</b>	<b>297,773.66 (31)</b>	<b>242,281.50 (31)</b>

**Key: -**

Clmt Claimant

LT Living together as husband & wife

WC Working & claiming

CAP Failure to declare capital

ND Non Dependent

CofC Failure to report a change in circumstances

Inc Failure to declare income

QB9 Employer prosecuted for failing to supply information requested under Social Security Legislation.

SPD Single Person discount

**Note re costs** – Medway no longer receives details of Costs awarded where Crown Prosecution Service undertake proceedings on behalf of DWP / Medway Council.



### EXTERNAL FRAUD (Excluding Benefits and Council Tax Discounts)

Audit Services are responsible for ensuring investigations are undertaken into possible fraudulent activity by members of public against the council. Referrals are received from various sources including individual service areas, external agencies and members of the public.

Audit Services conduct an initial assessment of the case in order to determine whether an investigation is required, what audit investigation can be conducted, and whether the matter warrants a direct referral to the Police or other agency. Frequently referrals are assessed as not requiring a criminal investigation. Audit Services may complete an initial investigation and report to management, or provide advice to management and forward the case to the service area to deal with. Audit Services record the outcome of all referrals received.

Audit Services are developing protocols with individual service areas to support management and improve fraud resilience across the organisation.

The table below provides an update on cases completed during the 1<sup>st</sup> Quarter of 2013/14 where investigations were undertaken by Medway &/or the Police.

<b>Referral</b>	<b>Audit Services</b>	<b>Finding</b>	<b>Management Actions</b>
Blue Badge abuse initially identified as part of a joint operation between Parking Services and the Police where a badge which appeared to have been tampered with was seized.	Conducted a criminal investigation.	During interview the defendant admitted his wrongdoing and showed genuine remorse.	The matter was disposed of by means of a "simple caution".
Referral received from a Medway school that a cheque for £3,236.08, made payable to a supplier, had not reached the supplier's account.	Advice	Supplier confirmed cheques from other customers had been intercepted and are investigating. The supplier has not re-invoiced this amount, and therefore the school is not financially disadvantaged.	None required.



## INTERNAL FRAUD AND IRREGULARITY INVESTIGATIONS

Audit Services are responsible for undertaking investigations into possible fraudulent activity by members of council staff and contractors. Referrals requiring investigation by Audit Services are received from managers across the council or through the whistleblowing arrangements. In addition some investigations arise as a direct result of internal audit work.

Audit Services conduct an initial assessment of the case in order to determine whether an investigation is required. In some instances the referral will require nothing more than the provision of advice to management, who may be required to investigate the matter further, in compliance with the council's disciplinary policy. In some cases Audit Services undertake a full investigation, which may result in disciplinary and/or criminal proceedings.

There is an investigation protocol between Audit Services and HR which sets out how the respective roles of the two teams when undertaking investigations into suspected employee fraud. The protocol was agreed in 2013 and has resulted in an increased number of referrals to Audit Services.

The table below sets out the completed internal fraud and irregularity investigations undertaken, and advice provided, since the last report presented to Audit Committee (excluding those cases which have to be reported as a restricted item, in line with Data Protection Act requirements). The table includes a summary of control weaknesses identified and management actions agreed.

Referral	Audit Services	Finding	Control Improvements
£400 savings for a foster child which should have been held at council premises since March 2012 identified to be missing.	Investigation and provision of advice/recommendations	Insufficient records maintained to identify when or where loss occurred, or who may be responsible.	Procedures for recording transfer of cash and other possessions introduced. Record of client possessions held also introduced, to be supported by periodic checks to confirm these can be accounted for. Cash held on behalf of foster children to be converted to savings accounts.
£105 income, received via Gun Wharf reception and sent to cashiers by Trading Standards in October 2012, could not be accounted for.	Identified during internal audit of income, followed by investigation and provision of advice	Insufficient records maintained to identify where loss occurred, or who may be responsible. Initial receipting of income at, and transfer within and between council premises is being followed up as part of the 2013/14 overall income audit.	Records of income received by Trading Standards have been enhanced to show date sent/ taken to cashiers and are now checked against receipt produced from the income system/Integra. A local receipt has been created so that a signature can be obtained from cashiers on delivery of cash payments.

Referral	Audit Services	Finding	Control Improvements
		Due consideration is being given to conducting a wider financial management review in Trading Standards	
Personal documents belonging to a Medway resident were taken off the premises by a member of council staff.	Minor investigation and advice	The Medway resident was informed of the breach, and the documents restored. Audit Services advised management to notify Legal Services. Audit Services also undertook some checks to ascertain whether there was any indication of any criminal activity – no evidence found. No control weaknesses identified	No action required



### Fraud Resilience Strategy 2012 to 2014 – Update September 2013

<b>ACTIONS COMPLETED</b>		
	<b>Area for Improvement Identified in the 2012/14 FRS</b>	<b>Delivery and ongoing development</b>
1	Develop protocol between Human Resources and Audit Services	Protocol agreed with HR and Audit and HR are working to these arrangements.
2	Management give consideration to fraud risk being reported as part of Risk Management process.	Discussed by management and agreed to work on developing fraud risk awareness on the annual Service Plans.
3	Continue audit led meetings re key fraud risk areas to develop fraud awareness.	<ol style="list-style-type: none"> <li>1. Provision of awareness session for Service Managers on 24/01/13.</li> <li>2. Fraud awareness session run for School Governors 11/01/13</li> <li>3. Awareness session with Category Management Team</li> <li>4. Planned sessions for Financial Assessment / Benefits and Council Tax staff.</li> <li>5. This is now built into audit services plans and arrangements and as such the action can be considered completed</li> </ol>
4	Annual Fraud Risk Assessment work - Outcome of review of fraud vulnerability used to inform decisions on use of limited resources.	<ol style="list-style-type: none"> <li>1. Examples of audits included in IA plans include DBS, Grants, Procurement, Payroll and Local Welfare Provision</li> <li>2. This is now built into audit services plans and arrangements and as such the action can be considered completed.</li> </ol>
5	Process and responsibility for analytical work within Audit Services reviewed – possibly allocate auditor post to analytical work and continuous auditing.	<ol style="list-style-type: none"> <li>1. IDEA licenses resolved.</li> <li>2. One of the Principal Auditors provided overview training on the “Principles and Practice of Data Interrogation” supplemented by 1:1 training on an assignment by assignment basis.</li> <li>3. Ongoing use and oversight of NFI data matching</li> <li>4. This is now built into audit services plans and arrangements</li> </ol>

6	Increase Internal Audit presence in development of processes, project assurance etc to raise fraud awareness and design out fraud risk wherever possible.	<ol style="list-style-type: none"> <li>1. Health Governance audit was reported to Audit Committee in December 2012.</li> <li>2. Category Management audit commenced for completion by July 2013.</li> <li>3. Audit of Capital Projects in 2013/14 will review processes in place to mitigate fraud risk</li> <li>4. This is now built into audit services plans and arrangements</li> </ol>
7	Website presence - Internal	Internal website now in place for audit services – including Internal Audit and Corporate Anti-Fraud Team
8	Audit Services Manager to complete professional investigative practice qualification.	Training was completed in September 2012 – BTEC7 Advanced Professional Certificate in Investigative Practice.
9	Evaluation of resources required following review of Authority's vulnerability to fraud.	<ol style="list-style-type: none"> <li>1. The level of resources required to address identified corporate fraud resilience issues is being assessed and reviewed on an ongoing basis. Information relating to resources used in delivery of the 2012-14 Fraud Resilience Strategy will be fed into the development of the Fraud Resilience Strategy for 2014/16.</li> <li>2. Audit Services resources subject to annual review in light of the Authority's vulnerability to fraud</li> </ol>
10	Audit Services Manager to be trained and confirmed as a RIPA Authorising Officer.	<ol style="list-style-type: none"> <li>1. Training Course undertaken December 2011. Confirmed as RIPA Authorising Officer for the Council.</li> <li>2. Further training received and confirmed as RIPA authorizing officer.</li> <li>3. All Corporate Anti-Fraud Team and others across the Council attended the Medway training session.</li> </ol>
11	Ensure Bribery Act to be reviewed regarding training and reporting arrangements	<ol style="list-style-type: none"> <li>1. Bribery Policy to Audit Committee July 12.</li> <li>2. The Moneylaundering Policy was presented to Audit Committee March 2013.</li> </ol>
12	Review of Anti Fraud & Corruption Policy	<ol style="list-style-type: none"> <li>1. Annual review by Audit Services undertaken, and where amendments proposed this will be presented to Audit Committee for approval.</li> <li>2. The policy will need to be reviewed again once final details received for the Single Fraud Investigation Service (SFIS).</li> </ol>

13	Review process for ensuring Monitoring Officer and Chief Finance Officer are informed of all financially related Whistleblowing cases.	<ol style="list-style-type: none"> <li>1. Whistleblowing Policy revised (Constitution – Chapter 5, Part 9).</li> <li>2. Reporting and handling of whistleblowing cases was included in the awareness session run with Service Managers.</li> <li>3. Whistleblowing Officers webpage updated January 2013.</li> <li>4. Public Concern at Work have withdrawn their proposal for a free health check of the council's whistleblowing systems.</li> <li>5. Investigation protocol with HR and the audit services internal web-page encourage appropriate reporting of fraud issues</li> </ol>
14	Managers dealing with line of business external fraudulent activity should have appropriate arrangements in place for the recovery of funds due to Medway.	<ol style="list-style-type: none"> <li>1. Audit Services have worked with management in a number of specific line of business fraud areas, including blue badges, housing, schools and payroll</li> <li>2. The awareness raising session with service managers covered all types of fraud – including line of business.</li> <li>3. Consideration of these risks is built into the audit services plans</li> </ol>
15	Develop Fraud Response Plan in conjunction with the HR protocol.	Through the development of the HR protocol the need for a separate fraud response plan has been considered. We have reached the decision that a separate fraud response plan is not necessary as it would largely duplicate the information contained within the HR Protocol
16	Advertising the action taken by Medway Council where fraud has been proven – for both internal and external fraud.	<ol style="list-style-type: none"> <li>1. Following benefit fraud sanctions the press office is provided with a summary of the case and outcome.</li> <li>2. Audit Committee papers which are in the public domain include a record of all external fraud investigations and outcomes.</li> <li>3. Medway Council website search engine links to press releases.</li> </ol>
17	Obtain explicit authority for Corporate Anti-Fraud Team to conduct criminal investigations and gain access to information in all Medway business areas.	The Financial Rules within the Constitution give authority to investigate all types of fraud against the council.

<b>Specific Business Areas</b>		
18	Blue Badges	<ol style="list-style-type: none"> <li>1. First successful prosecution for blue badge fraud completed 14/11/12 and first Simple Caution issued 08/05/13.</li> <li>2. Ongoing referrals being received and monitored. Audit and follow up completed, and update provided to Audit Committee</li> <li>3. Ongoing liaison with management to ensure effective enforcement and investigation processes in place.</li> </ol>
19	Social Housing	<ol style="list-style-type: none"> <li>1. Procedures and policies are being developed, in line with the Department for Communities and Local Government (DCLG) guidance provided in their 2010 publication "Tackling unlawful subletting and occupancy: Good practice guidance for social landlords."</li> <li>2. Shared attendance at national training events and in-house presentations plus cross-team training being undertaken.</li> <li>3. Collaborative work undertaken with MHS homes group.</li> <li>4. Application submitted for DCLG funding (£200,000 over 2yrs) to support fraud resilience. Bid was unsuccessful.</li> <li>5. The Corporate Anti-Fraud Team are continuing to work with the Housing Team in relation to individual allegations of Housing fraud.</li> <li>6. Right to buy arrangements reviewed</li> </ol>
20	Headcount	<ol style="list-style-type: none"> <li>1. Current controls around headcount fraud were reviewed as part of the "Local management control of Payroll" audit, and reviewed on an ongoing basis through the School probity audits. The audit of HR data security included a review of the security of Self-Serve.</li> <li>2. Payroll as a key financial system is reviewed on a cyclical basis and is in the 2013/14 Audit – the audit will always cover the potential fraud risks relating to headcount</li> </ol>
21	Overtime	Overtime has been reviewed as part of the School probity audits. Standardisation of overtime policy also raised as part of an investigation conducted within Children and Adults

22	Timesheets	Timesheet payments have been reviewed as part of the school probity audits and also through two investigations being undertaken.
23	SPD	<ol style="list-style-type: none"><li>1. The Audit Commission released the matches to Local Authorities early in 2012. Medway Council Revenues and Benefits staff reviewed 1284 matches. As a result of this, 108 Single Person Discounts were cancelled, 32 referrals were sent to CAFT which have resulted in 1 successful prosecution, 1 being prepared for prosecution and one still subject to investigation</li><li>2. Met with management as part of the NFI exercise and highlighted key fraud risk areas.</li></ol>

**DELIVERY OF REMAINING ACTIONS IN PROGRESS**

<b>General</b>		
	<b>Action</b>	<b>Progress</b>
1	Publish Fraud Policy Statement.	<p><b>Progress made</b></p> <ol style="list-style-type: none"> <li>1. The Fraud Policy Statement has been approved and the Constitution updated (Constitution – Part 8 - Anti Fraud &amp; Corruption Policy).</li> <li>2. The Fraud Statement will be included on the Audit Services External Website page once in place.</li> <li>3. A message to employees has been added to “Self-Serve 4” You highlighting to those resident within Medway they have personal responsibility for reporting changes in their circumstances to relevant service areas, reiterating information is not automatically exchanged between council departments.</li> </ol> <p><b>Outstanding</b></p> <ol style="list-style-type: none"> <li>4. Audit Services to liaise with HR regarding possible amendments to Employee Code of Conduct to ensure it highlights employee/Medway resident reporting obligations.</li> </ol>
2	Website presence.	<p><b>Outstanding</b></p> <ol style="list-style-type: none"> <li>1. External website pages in draft and will be launched once the council wide review of web-based information has been completed. This is currently subject to the Better-for-Less Transformation programme.</li> </ol>
3	Looking to the possibility of rolling out e-learning, to increase fraud awareness.	<p><b>Outstanding</b></p> <ol style="list-style-type: none"> <li>1. On 05/09/13 it was confirmed that Net-consent will go live and mechanisms for providing fraud awareness through e-learning will therefore be available. Further review of e-learning options is needed.</li> </ol>
4	Consider whether there is a need for a fraud hot-line, to run in addition to the Benefit Fraud hotline and the	<p><b>Progress made</b></p> <ol style="list-style-type: none"> <li>1. We have met with a number of service areas across the Council to determine what processes and structures need to be in place prior to the launch of a fraud hotline.</li> <li>2. Briefing note to Audit Committee July 12.</li> </ol>

	whistleblowing dedicated telephone line.	<p>3. Agreement reached to introduce a dedicated fraud hotline.</p> <p><b>Outstanding</b></p> <p>4. It is hoped that the hotline will be launched in the near future.</p>
5	Declaration of Officer Interests should be maintained and reviewed annually.	<p><b>Progress made</b></p> <ol style="list-style-type: none"> <li>1. Audit Services have reviewed arrangements for receiving, reviewing and retaining declarations of interest.</li> <li>2. Presentation to Service Managers 24/01/13 highlighted the importance of this issue</li> <li>3. Declarations of interest being reviewed as part of the School probity audits, and raised through a number of investigations and audits.</li> </ol> <p><b>Outstanding</b></p> <ol style="list-style-type: none"> <li>4. Currently liaising with the Monitoring Officer regarding this issue.</li> </ol>
6	Review Sanction Policy to include reference to Council Tax Reduction Scheme and other types of fraud.	<p><b>Progress made</b></p> <ol style="list-style-type: none"> <li>1. Audit Services have considered the implications of new legislation &amp; regulations including: - The Social Security (Civil Penalties) Regulations 2012, The Council Tax Reduction Schemes (Detection of Fraud &amp; Enforcement) (England) Regulations 2013 and The Prevention of Social Fraud Housing Fraud Bill 2013 and The Disabled Persons' Parking Badges Bill.</li> <li>2. Preparatory work ongoing with managers regarding sanctions &amp; forms of redress across the council.</li> </ol> <p><b>Outstanding</b></p> <ol style="list-style-type: none"> <li>3. The Sanction Policy will undergo a comprehensive review in 2014/15 once full details of the SFIS are released.</li> </ol>
7	Obtain explicit authority for Corporate Anti-Fraud Team to conduct criminal investigations and gain access to information in all Medway business areas.	<p><b>Progress made</b></p> <ol style="list-style-type: none"> <li>1. Chief Finance Officer has authorised CAFT to undertake Council Tax Reduction Investigations.</li> </ol> <p><b>Outstanding</b></p> <ol style="list-style-type: none"> <li>2. Consideration being given as to whether current documented authorities are sufficiently explicit</li> </ol>

<b>Specific Business Areas – all in progress</b>		
8	Mileage Claims	Audit is liaising with HR regarding the guidance provided to staff before reviewing what testing might be required. Ongoing probity programme in Schools
9	Transport Loans	Initial assessment of Council procedures has been undertaken. 2013/14 audit of payroll now being undertaken and this includes a review of loans
10	CRB & vetting	2013/14 audit of DBS being undertaken. Attended a presentation by CIFAS on staff vetting and intend to share the good practice guide entitled "Slipping Through the Net" with management
11	Social Fund	Included in 2013/14 audit plan. Initial liaison with management has been undertaken regarding planned approach for the management of this fund.
12	Personal Budgets	Building on the audit (March 2013) the Corporate Anti-Fraud team are liaising with those responsible for the Financial Assessments and also Children & Adults Services in order to raise fraud awareness and where necessary develop a plan to strengthen arrangements. Currently working with management to identify risks within the financial assessment process before delivering fraud awareness training to Financial Assessment Officers in November / December 2013.
13	Council Tax Reduction Scheme / Welfare Reform / Local Business Rates	Ongoing liaison between Corporate Anti-Fraud Team & Benefits regarding the new arrangements. Presentation provided by Benefits to Corporate Anti-Fraud Team on 26/02/13. 2013/14 audit regarding LBR is ongoing. Quarter 4 audits of LBR and CT will review new arrangements
14	Grants	2012/13 audit of grant management provided key background information on the high level arrangements for managing grant income. The 2013/14 annual audit plan includes an audit of grant payments which is currently being progressed
15	Procurement	Findings from the Schools probity programme have been fed into the 2013/14 audit planning process, and there will be some school probity audits conducted focusing on procurement arrangements. Audits for 2013/14 relating to procurement/category management are being progressed.