

**AUDIT COMMITTEE**  
**15 JANUARY 2015**  
**CORPORATE FRAUD**

Report from: Internal Audit

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**Summary**

To inform Members of matters relating to corporate fraud, including outcomes of investigations and fraud referrals received by Audit Services. 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 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 the prior two years. This report relates to Quarter 2 of 2014/15.

2.3 Audit Services are responsible for investigating all suspected fraud perpetrated against the council by employees and contractors. **Annex B** provides an update on 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.

**3. Disciplinary issues emanating from investigations**

3.1 To ensure anonymity is maintained staff investigations relating to External Benefit Fraud will continue to be included on the External Investigations Report at Annex A. This report will not identify the offender as a member of staff.

3.2 Where Medway staff are subject to disciplinary action, as a consequence of an Audit Services investigation, details will be provided to Audit Committee as an exempt item. Generally the disciplinary action would be reported once the criminal matter is concluded.

#### **4. Local Government Transparency Code 2014**

- 4.1 The code is issued by the Secretary of State for Communities and Local Government in exercise of his powers under section 2 of the Local Government, Planning and Land Act 1980 (the Act) to issue a Code of Recommended Practice (the Code).
- 4.3 For the first time local authorities will be required to publish, on an annual basis, the following information about their counter fraud work:
- Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers e.g. Social Security Fraud Act 2001, Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013.
  - Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
  - Total amount spent by the authority on the investigation and prosecution of fraud, and
  - Total number of fraud cases investigated.
- 4.4 The Code also sets out counter fraud data which local authorities are “encouraged” to publish:
- Total number of cases of irregularity investigated
  - Total number of occasions on which a) fraud and b) irregularity was identified
  - Total monetary value of a) the fraud and b) the irregularity that was detected, and
  - Total monetary value of a) the fraud and b) the irregularity that was recovered.
- 4.5 The method of publication is prescribed within the Code. The data needs to be published in February 2015.
- 4.6 Audit Services are liaising with the Head of Legal Services to ensure Medway complies with the Transparency Code requirements in relation to counter fraud work. Audit Services are also liaising with other Local Authorities regarding the mechanism for determining fraud cases to be included within the data, in order to ensure a level of consistency in reported figures. An internal audit is currently underway regarding the mechanisms within the council for collating fraud data which should provide an assurance over the quality of data.

#### **5. Audit Commission annual Fraud and Corruption Survey and Protecting the Public Purse**

- 5.1 The Audit Commission Counter Fraud Team have previously been responsible for co-ordinating the annual Fraud and Corruption Survey and producing the Protecting the Public Purse (PPP) reports.
- 5.2 The Audit Commission is due to close on 31 March 2015 and it was envisaged the Counter Fraud team would transfer to the CIPFA Counter Fraud Centre.
- 5.3 It was announced in December 2014 that CIPFA had withdrawn from the deal and the team had been disbanded.
- 5.4 There is no current expectation that any other body will assume these functions.

## **6. Department for Communities and Local Government “Counter Fraud Fund”**

- 6.1 On 26 November 2014 the successful applicants were announced for the DCLG £16m Counter Fraud Fund.
- 6.2 Medway were partners to two separate bids, both of which were successful:
- Kent County Council led bid – Kent Information Network (KIN) - Data warehouse.
  - LB of Greenwich led bid – Smartphone Counter Fraud App.
- 6.3 It is envisaged that the KIN will go live early 2015/16.
- 6.4 LB of Greenwich recently met with the Software Provider to discuss rollout of the Counter Fraud App.
- 6.5 Each of the successful applications will support the objectives of the Medway Fraud Resilience Strategy and provide further partnership opportunities with external agencies such as the police and registered social landlords.

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

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

## **8. Recommendations**

- 8.1 Members are asked to note progress in investigating fraud in accordance with the approved Anti Fraud & Corruption policy.

### **Lead officer contact**

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### **Background papers**

Sanction Policy (revised 2006) & Anti-Fraud & Corruption Policy (updated August 2012)  
Fraud Resilience Strategy 2014/16 – presented to Audit Committee March 2014 and updated in September 2014.