

AUDIT COMMITTEE

22 MARCH 2016

CORPORATE FRAUD UPDATE

Report from: Katey Arrowsmith, Head of Audit & Counter Fraud
Audit & Counter Fraud (Chief Audit Executive)

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 Council delegates responsibility for the oversight and monitoring of audit services to the Audit Committee.

2. Background

2.1 The Anti-Fraud and Corruption Policy forms part of the Constitution and sets out the council's commitment to ensuring the opportunity for fraud and corruption is reduced to the lowest possible risk. Prosecutions, cautions and administrative penalties relating to benefits and council tax reductions are reported in **Appendix A**, along with a comparison of 3rd quarter overpayments identified during the previous two years. This report relates to Quarter 3 of 2015-16. Audit Services are responsible for investigating all suspected fraud perpetrated against the council by employees and contractors. There have been no such investigations during Quarter 3.

3. Single Fraud Investigation Service (SFIS)

3.1 Members have previously been advised that the responsibility for the investigation of benefit fraud would be transferring to the Single Fraud Investigation Service (SFIS) within the Department for Work and Pensions (DWP). On 12 February 2016, all active investigations and associated paperwork were formally handed to SFIS as part of the transfer process and the authority ceased all investigations relating to Housing Benefit.

3.2 Since that date, allegations of fraud relating to the Council Tax Reduction Scheme and/or Council Tax Discounts and Exemptions will be investigated by the new Audit & Counter Fraud Shared Service. We will be exploring avenues

for collaborative working with the local SFIS officers to reduce the risk of duplicating investigations.

4. Future Reporting

- 4.1 At the July Audit Committee meeting, Members will receive a report on the work carried out by the Corporate Anti-Fraud Team in Q4 of 2015-16 and that will be the last report in the current format. Elsewhere on this agenda are reports outlining the work plan and reporting arrangements of the new Shared Service, with new combined quarterly reports to be presented detailing the results of Audit & Counter Fraud Work to Members in future.

5. Risk management

- 5.1 This report, summarising the work of the counter fraud function, provides a key source of assurance for the council on the adequacy and effectiveness of its arrangements to respond to fraud risk.

6. Financial implications

- 6.1 An adequate and effective internal counter fraud function provides the council with assurance on the proper, economic, efficient and effective use of council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the council.

7. Legal implications

- 7.1 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them. Section 151 of the Local Government Act 1972 requires the council to “make arrangements for the proper administration of their financial affairs”. Funding received via a Central Government Administration Grant to the end of February 2016 required Local Authorities to maintain arrangements to prevent fraud and error in the welfare benefits that they administer.

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

James Larkin, Audit & Counter Fraud Shared Service Manager

Appendices

Appendix A – External Investigations Outcomes

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 and March 2015.