AUDIT AND ACCOUNTS COMMITTEE
27 June 2012

ITEM 14

Report of the Strategic Director - Resources

GOVERNANCE UPDATE

SUMMARY

1.1 This report provides an update on the developments being made within the Council's governance framework.

RECOMMENDATION

2.1 To note the actions and the progress being made to enhance the governance framework.

REASONS FOR RECOMMENDATION

3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

SUPPORTING INFORMATION

Information Governance

4.1 This update on information governance covers the period 1 March 2012 to 31 May 2012.

Freedom of Information:

4.2 The number of Freedom of Information (FOI) requests the Council has received over the last 7 years has increased each year. Table 1 below shows the number of FOI requests received each year since FOI came into being, and the number of requests received in 2012, as at 31 May. The number of requests received in 2012 is slightly above the number received for the same 5 month period for last year (391 compared to 369 in 2011).

Table 1: Number of FOI Requests Received by Calendar Year

Year	Number of FOI Requests
Jan - Dec 05	183
Jan - Dec 06	239
Jan - Dec 07	250
Jan - Dec 08	358
Jan - Dec 09	581
Jan - Dec 10	685
Jan – Dec 11	913
Jan – May 12	391

4.3   Source of FOI Requests

The Council does not just receive FOI requests from members of the public. A large proportion comes from commercial organisations, local and national media and political pressure groups. An analysis of requests for information sorted by category of requester for the period from 1 March 2012 to 31 May 2012 is shown in Table 2. Table 3 breaks these same figures down by the Council Directorate responsible for supplying the information.

Table 2: Number of FOI Requests by category of requester

FOI Request from	March 2012	April 2012	May 2012
Commercial	31	20	29
Media	15	11	13
Personal	38	37	44
Other Local Authority			2
Political	4		2
Total	88	68	90

Table 3: Number of FOI Requests by Lead Directorate

Directorate	March 2012	April 2012	May 2012
Adults, Health & Housing	11	13	13
Chief Executive's Office	2	3	2
Children & Young People	14	5	12
Neighbourhoods	31	23	22
Resources	27	19	38
Council Wide	3	5	3
Total	88	68	90

Data Security Breaches:

4.4   In 2011, the Council self notified 2 data security breaches. The Information Commissioner's Office (ICO) is investigating both breaches and visited the Council on 13 June 2012. A verbal update will be provided at the meeting.

Insurance and Risk Management

4.5   At the meeting on 2 February 2012, Members received a report on the review of the Council's risk management framework which was produced by the Council's main insurers Zurich Municipal (ZM). One of the recommendations resolved by Committee was that the Risk Management team would develop an action plan based on the findings of the ZM review and report this back to Committee.

4.6   Having reviewed the ZM findings in further detail, the Head of Governance and Assurance and the Principal Risk and Insurance Officer have concluded that the actions needed to address them require minor improvements to the current framework. However, they did conclude that the main issue to come out of the review was a need to look at how the framework is communicated throughout the Council and how well it is embedded. This therefore, forms the main action of the attached Insurance and Risk Management Action Plan (see appendix 2). The other findings from the ZM review have been incorporated into one overarching action with in the Plan.

Fraud

4.7   Separate reports are on this meeting's agenda to appraise members of the National Fraud Authority's publication "Fighting Fraud Locally" and the Audit Commission's National Fraud Initiative.

Audit Commission Annual Fraud Survey

4.8 Every year the Audit Commission issues a survey to gather data on frauds encountered by authorities during the previous 12 months. This data is used to highlight trends and helps identify areas for concern.

4.9 The table below contains the figure submitted to the Audit Commission:

Fraud area	2009/10	2010/11	2011/12
Housing Benefit:			
Number of frauds	145	187	222
Value of frauds	£507,399.46	£469,369.71	£672,972.44
Number involving employees	2	2	4
Value of employee cases	£10,973.90	£11,854.75	£6,525.40
Prosecutions begun in period	38	69	55
Guilty in period	42	64	62
Housing:			
Tenancy subletting	3	7	6
Housing applications	0	0	Yes (but no numbers recorded)
RTB	1	0	0
Other frauds:			
Blue Badge	18	1	5
Blue Badge - involving employees	0	1	1
Fidelity guarantee claims	2	0	0
Insurance	0	0	0
Council tax	0	0	0
Non Domestic rates	0	0	0
Procurement	0	0	0
Social services	0	0	0
Economic and 3rd sector	0	0	0
Debtors	0	0	0
Investment	0	0	0
Payroll (including expenses)	0	0	0
Abuse of position	0	0	0
Recruitment	0	0	0

4.10 Further information on the fraud areas identified in the survey are given below.

Benefit fraud

4.11 Benefits has always been a high profile area of fraud. The increase in frauds dealt with by the team (187 in 2010/11 to 222 in 2011/12 shows an increase in terms of the number of cases of 18.7%, with an increase in value from £469,369.71 to £672,972.44 – an increased value of 43%) is actually higher than the 29% reported increase from the recent NFI annual report which looks at the changes between 2008/9 and 2010/11. This is of particular concern as the NFI document compares figures across a 2 year period, while the fraud survey looks at only one year.

4.12 The average value of each fraud investigated has increased by 20.8% since 2010/11. However, this figure is distorted by a number of high value cases, 17 of the cases exceeded £10,000 in value.

4.13 The increase in benefit fraud has been referred to by both the NFI and the NFA (National Fraud Authority). In their recent report "Fighting Fraud Locally" the NFA address the issue;

> "Some local authorities have simply downsized fraud investigation teams, leading to a loss of fraud skills and experience. However others have made savings whilst retaining an effective fraud function, by pooling resources or redeploying counter fraud staff to investigate the full breadth of fraud threats against the authority including housing tenancy and council tax fraud"

4.14 The report also notes that criminals who fraudulently claim housing benefit are likely to be involved in other frauds again local authorities.

Housing – Tenancy Sub-Letting

4.15 The survey reported that there had been some fraudulent tenancy applications but the number had not been recorded. Additionally there were 6 instances to tenancy subletting. This is a slight reduction on the 2010/11 report. Tenancy subletting is given a high fraud profile, particularly because it is prevalent in London where high rents make this form of fraud highly profitable. In Derby, where local authority housing rents are closer to those charged in the private sector, the profit margins are lower. Work is ongoing at Derby Homes to tackle this issue

Blue Badge Fraud

4.16 The survey reported 5 cases of fraud during 2011/12, one of which involved an employee. (These cases were not reported to Internal Audit as fraud referrals but should have been).

4.17 By comparison, the recent NFI exercise saw 240 matches flagged as "error" (out of a total of 531 reported). These were cases where:

- badges had been issued for the same person in two different authorities (16), (these issues should be removed by the national database currently being populated), or
- badges had not been cancelled on the death of the badge holder (224). This happens because our own blue badge team only receive information on deaths from the DCC Registrar – if the badge holder passes away outside of Derby, or is the subject of an inquest, these do not appear on the Registrars list. Any of these 240 "error" case could, potentially have been used fraudulently.

4.18 The Audit Commission estimates each instance of blue badge fraud costs £500 in lost parking revenue.

Data Matching 2011-12

4.19   The ongoing internal data matching exercise has continued during 2011/12. Refinements to the extraction programs have led to a reduced number of matches being produced. 6,867 matches have been produced, over £28,000 savings have been generated and data has been produced to inform and direct the focus of a number of audits carried out during the year. One of the aims of the exercise is to pick up discrepancies and potential frauds promptly, and reduce the number of cases being reported by the biannual NFI exercise.

4.20   The matches carried out are as follows:

Match type	Number of matches	Amount recovered	Queries yet to be resolved
Governors to Creditors	100	Nil	0
Payroll to Debtors	48	Nil	0
Payroll to NDR	4	Nil	0
CT to payroll	619	£1,108.89	7
Payroll to benefits	126	£25,719.72	9
NDR to benefits	89	Nil	0
Benefits to debtors	3430	Nil	0
RTB to benefits	20	Nil	0
Payroll to markets	6	Nil	0
Payroll to parking	107	Nil	0
Markets to benefits	14	Nil	0
Insurance to benefits	36	Nil	0
Parking to CT	1037	£1,725.19	9
Payroll to suppliers	740	Nil	0
Creditors to payroll	272	Nil	0
Debtors to NDR	352	Nil	0
Debtors to creditors	109	Nil	0
Benefits to creditors	30	Nil	0
TOTAL	7139	£28,553.80	25

4.21   The Audit Plan for 2012/13 continues to include internal data matching and the aim is to refine and improve the quality of our matching, develop new reports and provide analytical data for staff carrying out 2012/13 audits.

OTHER OPTIONS CONSIDERED

5.1   n/a

This report has been approved by the following officers:

Legal officer	n/a
Financial officer	n/a
Human Resources officer	n/a
Service Director(s)	n/a
Other(s)	n/a

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Background papers:	None
List of appendices:	Appendix 1 – Implications
	Appendix 2 – Insurance and Risk Management Action Plan

IMPLICATIONS

Financial and Value for Money

1.1   None directly arising

Legal

2.1   None directly arising

Personnel

3.1   None directly arising

Equalities Impact

4.1   None directly arising.

Health and Safety

5.1   None directly arising.

Environmental Sustainability

6.1   None directly arising.

Asset Management

7.1   None directly arising.

Risk Management

8.1   The effective management of risk is a core principle of good governance.

Corporate objectives and priorities for change

9.1   The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

Insurance and Risk Management Action Plan 2012/13 – 2013-14

Action	Owner	Target Date	Risks – *what could prevent action from being delivered*
To work in conjunction with Zurich Municipal to conduct a comprehensive review the Councils Risk management framework and how its being implemented within several specific departments of high risk and the councils structure as a whole	Head of Governance & Assurance With support from: • Principal Risk and Insurance Officer • Zurich Municipal	Ongoing with completion date Mar-13	Lack of support from key people at consultation stage will only evidence weaknesses looked for. However its likely that any corrections to our weaknesses will be unpopular and contradict the approach of certain dominant departments and by extension be ignored rendering the exercise futile
To begin to collect and collate all the information needed in preparation for the insurance tender	Principal Risk and Insurance Officer	Ongoing with completion date Oct-12	Lack of support and understanding of urgency from departments and key people. Limited resources within the insurance section may also be an issue.
To orchestrate a full review of the sum insured values on a number of key properties within the corporate portfolio to ensure appropriate levels of insurance are in place.	Head of Estates and Head of Governance & Assurance With support from: • Principal Risk and Insurance Officer • Zurich Municipal	Oct-12	Lack of resources, support and understanding of urgency from all stakeholders
To review RM handbooks - revising as required	Principal Risk and Insurance Officer	Mar-13	As task is dependent on one person there is a potential of 'slippage'
To create Insurance Handbooks to provide information and guidance	Principal Risk and Insurance Officer	Mar-13	As task is dependent on one person there is a potential of 'slippage'
Review current insurance arrangements and assess whether they are still appropriate to our current corporate model	Head of Governance & Assurance With support from: • Principal Risk and	Oct-12	None

Action	Owner	Target Date	Risks – *what could prevent action from being delivered*
	Insurance Officer • Insurance Broker		
Spot checks to ensure corporate procedures are properly followed/embedded in each directorate	Principal Risk and Insurance Officer	Ongoing	Resource availability
Investigate electronic storage for all insurance and risk management documentation to comply with new ways of working	Principal Risk & Insurance Officer	Aug 12	As task is dependent on one person there is a potential of 'slippage'. Scanning resource not available.