

## UPDATE ON ANTI-FRAUD WORK

### SUMMARY

- 1.1 To present to Committee an update on Anti-Fraud activity undertaken during the period 1 June 2010 to 31 May 2011.

### RECOMMENDATION

- 2.1 To note the activity and performance of Internal Audit in respect of anti-fraud activities in the period 1 June 2010 to 31 May 2011 and to comment accordingly.

### 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, including anti-fraud activities.

### SUPPORTING INFORMATION

#### 4.1 National Fraud Initiative 2010-11

- 4.1.1 A new cycle of matching reports began in October 2010 with data from a number of services being submitted to the Audit Commission. The majority of matching results were released in late January 2011. A number of new reports have also been created since the last cycle.
- 4.1.2 The Audit Commission have acknowledged that it is not always practical to check every match produced, so this cycle they have flagged some cases as high priority where they require a response. They are also monitoring activity to ensure that regular progress is made.

4.1.3 This year the total number of matches produced was 12,091 of which 1,925 require a mandatory response. To date, we have cleared 2,569 matches. The majority of matches (7,006) are in respect of creditors records and include potential duplicate payments, duplicate creditors, different creditors with the same address and a number of permutations of a similar nature. There are a high number of these matches because suppliers to schools and suppliers to the Council are each entered on the system separately. The next highest number of matches relate to Housing benefit cases (2879) and these are being resolved with the assistance of colleagues at the Department of Work and Pensions.

4.1.4 The matches fall into the following categories:

Match relates to:	Number of matches	Number of mandatory responses required
Creditors	7006	0
Housing Benefits	2879	534
Blue Badges	531	468
Payroll	285	18
Housing tenants	102	45
Right to buy	45	28
Concessionary Travel	634	633
Private Care homes	76	25
Residents parking	2	2
Insurance claims	12	3
Mixed data	519	169

## 4.2 Data Matching 2010-11

4.2.1 The ongoing internal data matching exercise has continued during 2010/11. Over 17,000 matches have been produced, almost £15,000 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. A comparison between the 2008/9 and 2010/11 NFI results indicates that there has been a 9.5% reduction in the number of matches reported for those areas where internal matching can take place.

#### 4.2.2 The matches carried out are as follows:

Match type	Number of matches	Amount recovered	Queries yet to be resolved
Benefits to payroll	178	£4029.41	13
Benefits to right-to-buy	15	Nil	0
Benefits to Insurance claims	72	Nil	1
Benefits to taxi licences	76	Nil	2
Benefits to markets	3	Nil	0
Benefits to alcohol licences	126	nil	0
Benefits to NNDR	3146	Nil	0
Payroll to parking	877	Nil	0
Payroll to Council Tax	93	£8491.58	0
Rent to payroll	179	Nil	1
Creditors to payroll	4506	Nil	0
Debtors to NNDR	874	Nil	0
Council Tax to NNDR	139	Nil	0
Council Tax to blue badges	533	Nil	0
Council Tax to gold cards	1588	Nil	0
Council Tax to taxis licences	566	£2389.08	0
Council Tax to alcohol licences	1120	Nil	0
NNDR to payroll	2151	Nil	0
Payroll to markets	1	Nil	0
Payroll to licencees	92	Nil	0
Payroll to taxis	93	Nil	0
Suppliers to payroll	436	Nil	0
Blue badges to payroll	165	Nil	0
TOTAL	17029	£14910.07	17

4.2.3 The Audit Plan for 2011/12 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 2011/12 audits.

#### 4.3 Anti-Fraud & Corruption Work 2010-11

4.3.1 An MS Access database was created during the year to record and monitor Audit investigations and also to store any referrals that are received by Internal Audit. Once a referral has been received and a risk assessment completed, the database will indicate whether the referral should be investigated. The database allows auditors to monitor and record vital information relating to any ongoing investigations. It also allows the auditor to record any actions that they need to do and also record an ongoing log of the investigation and logs of each action being undertaken. Once an investigation has been completed, the database will store information on its outcome such as the value of a fraud, money recovered and what was the cause of the investigation, such as poor training or lack of control.

- 4.3.2 Separate to recording investigations, the database has an extensive search feature that allows Audit to highlight any common areas of concern. For example we may get several referrals regarding the same area/person over the course of a year. None of these referrals may highlight the need for an investigation individually but the search feature will pick up on the fact that this area/person is receiving several referrals which may be a reason to investigate.
- 4.3.3 The 2010/11 audit plan year has mainly seen the development of the database. In 2011/12 we plan to extensively test the database and its features to ensure that it is capable of efficiently recording information about referrals and investigations. The search feature will also be extensively tested and further developed if needed to ensure that it can highlight areas of concern.
- 4.4 **Audit Commission Annual Fraud Survey**
- 4.4.1 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.
- 4.4.2 Within Derby the number of cases reported for 2010/2011 indicates that anti-fraud activity is producing positive results. The number of Benefit frauds found increased from 145 in 2009/2010 to 187, but the total value of those frauds reduced from £507,400 to £469,370. This shows that the frauds were discovered earlier, resulting in lower losses. The number of benefit fraud prosecutions begun also increased from 38 to 69, with a corresponding number of guilty verdicts (64 compared with 42). The number of blue badge frauds fell from 18 to 1 and the number of Right to Buy frauds fell from 1 to zero. The only area where there has been a marked increase is in the area of Tenancy fraud which increased from 3 to 7. This may be due to the additional anti-fraud work carried out by Derby Homes uncovering frauds which would otherwise have gone undetected.
- 4.5 **Bribery Act**
- 4.5.1 The Bribery Act 2010 comes into force on 1 July 2011. This introduces two new criminal offences, that of bribery of a foreign public official and the failure to prevent bribery. An Anti-Bribery Policy is being drafted to ensure that the Council has measures in place to comply with this new legislation, and will be presented to the Audit and Accounts Committee meeting in September 2011. This will form part of the suite of anti-fraud policies and strategies already in place.
- 4.6 **Corporate Prosecution Policy**
- 4.6.1 At present there are a number of prosecution policies in place within the Council, relating to the areas where the authority has statutory regulatory or other enforcement powers. A Corporate Prosecution Policy is in preparation which is intended to complement these policies and to give guidance to officers involved in the detection and investigation of fraud, corruption or theft, and those involved in the detection, investigation and prosecution of regulatory offences. The intention of the Policy is to ensure a consistency of approach and to provide officers with a guide to assessing whether or not a case should be prosecuted, or referred for prosecution.

## 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

<b>IMPLICATIONS</b>
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**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 Internal Audit provides the Council with objective assurance on whether the risk of fraud is being managed appropriately.

**Corporate objectives and priorities for change**

- 9.1 Internal Audit contributes through its review work on the major corporate risks to the Council achieving corporate objectives and priorities. This is achieved by the review of key corporate governance issues including fraud.