



'Working in partnership for a sustainable, high quality service'

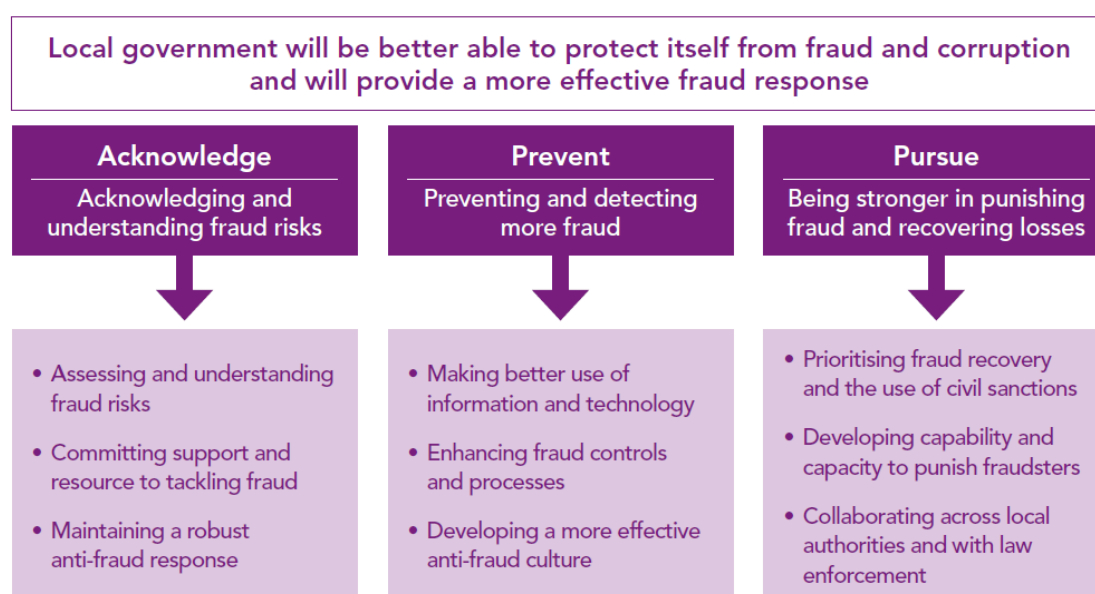


COUNTER FRAUD REPORT 2012-13
Cheltenham Borough Council

Counter Fraud Report 2012-13

1. Introduction

- 1.1 In 2011 the Local Government Fraud Strategy “Fighting Fraud Locally” was published that sets out the approach to fraud that is now expected of Local Government. The stated vision is that “*by 2015 Local Government will be better able to protect itself from fraud and have in place a more effective fraud response.*” It goes on to indicate three areas of focus as shown in the table below:



- 1.2 The Audit Commission published their document “Protecting the Public Purse 2012” which sets out a series of recommendations that Councils should inter alia “*maintain a capability to investigate non-housing benefit related fraud, proportionate to the risk*” and “*assess the potential benefits and cost savings of greater joint working with other Councils.*”

Both of these documents have been included as appendices (a & b) to this report.

- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a paper “*Delivering good governance in Local Government;*

Addendum, December 2012". In this paper there is a table of elements that are recognised key in an authority's governance framework. One of these elements is:

"ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained."

- 1.4 This is the first separate Counter Fraud Report for this authority and the report sets out the counter-fraud and anti-corruption arrangements in this authority and the results of activity for 2012~13 set out in terms of:
- Acknowledgement,
 - Prevent and
 - Pursue.
- 1.5 Although the focus of these reports is on the criminal level fraud it is considered good practice to approach any possible 'fraud' investigation with the criminality element fully considered even if the final result is disciplinary only. Therefore the results of any disciplinary action of this nature have also been included.

2. Acknowledgement

- 2.1 In the latter part of 2011/12 a fraud survey was completed by this Council for the Audit Commission. This outlined approximately 28 areas for the authority to consider in terms of types of fraud and tools required to address them. Although this authority was able to positively respond to the survey it was recognised by Internal Audit and the Benefit Fraud Team that more could be done.
- 2.2 The initial response was to set up a Counter Fraud Working Group (CFWG) across the internal audit partners (Cheltenham Borough, Cotswold District and West Oxfordshire District Councils). The CFWG included representatives from each benefit fraud team and the internal audit service.
- 2.3 The report "Protecting the Public Purse 2012" (PPP12) has been considered by the CFWG in order to plan the proactive counter fraud work for 2013/14.

Within the report there is an appendix checklist for counter fraud and this is being used by the CFWG to assess the current counter fraud system.

- 2.4 The first task was to align the policies of counter fraud across the partners and agree the approach with Corporate Management. The new Counter Fraud Policy has been approved in Cheltenham BC and is in the process of being approved by Cotswold DC and West Oxfordshire DC.
- 2.5 Furthermore, the report (PPP12) provides a focus on social housing fraud / tenancy fraud, which the CFWG recognizes as an area to review for this Council. Although the Council does not have its own housing stock there are links between different types of fraud, for example, housing benefit fraud and tenancy fraud. In February 2013 the CFWG placed a bid with the Audit Cotswolds partners for funding from the DCLG to help tackle social housing fraud, which was unfortunately unsuccessful. However, the pursuit of countering tenancy fraud is still a target for 2013/14.
- 2.6 In terms of recognising the risks of fraud the internal audit plan for 2012/13 included an allocation of days for investigation and participation in such schemes as the National Fraud Initiative (NFI). One of the Senior Auditors in Audit Cotswolds is designated as the key contact for NFI across the partnership.

3. Prevent

- 3.1 Audit Cotswolds acts as the key contact for NFI, which is a data matching exercise that matches data from multiple sources that may indicate possible fraudulent activity. For example, payroll to benefit data can be matched to indicate if someone is fraudulently claiming benefits.
- 3.2 The key element arising from the PPP12 was the general breadth of fraud issues. Although there are counter measures in place at this authority there is always a potential for fraud to occur and the CFWG has been reviewing the list of potential areas. These are then being risk assessed based on known factors at this authority e.g. when the last Single Person Discount review was undertaken for Council Tax, etc. Following this exercise there will be a proactive plan in place to address any risks arising.

- 3.3 In March 2013 the internal audit plan was approved and it included time to help promote an anti-fraud culture and proactively check systems where risks of fraud have been stated in the above reports. Furthermore, additional training and cross group working is being initiated to help enhance processes and procedures.
- 3.4 One of the tools kept under review for fraud investigations is the Regulation of Investigatory Powers Act. This covers surveillance and communications data. This authority did not use these powers in 2012/13, instead using alternative tools. However, training was undertaken by key officers that may require this tool.
- 3.5 In the latter part of 2012/13 links with Cheltenham Borough Homes Ltd and housing associations in the area were contacted to identify routes to investigate tenancy fraud.
- 3.6 Basic tools have been used through the year to raise awareness, such as, leaflets for new employees and general awareness for Members. However, this will be built on through 2013/14 to include more awareness training for managers and staff.

4. Pursue

- 4.1 The focus of 2012/13 activity has been to resource and prepare for a more proactive approach to counter fraud activity in 2013/14. This has included liaison with Human Resources and Legal Services with the aim to be prepared that if more proactive work triggers more reporting of possible frauds then the relevant services are able to pursue.
- 4.2 In terms of pursuing fraud for 2012/13 there were 97 sanctions (prosecutions, cautions and administrative penalties) the total overpayments for those were £129,420.19 arising from the benefit fraud team work. A number of joint investigations with the Department of Work Pensions helped with overpayments totalling £76,328.89. This is from two investigation officers. These officers have identified that there is an increase in cases involving capital (other houses as well as undeclared funds) and also more forged documents, and expect this trend to continue

- 4.3 There were no disciplinary or frauds reported to or investigated by internal audit for 2012/13.

5. Conclusion

- 5.1 This is the first of these reports and this will be reviewed for inclusion of any further information, frequency and format over the next 12 months.
- 5.2 There is a proactive anti-fraud culture being developed across the Audit Cotswolds partnership working with the Benefit Fraud Teams and other services.