

Title of Report:	Anti Fraud and Corruption Strategy 2011-12
Report to be considered by:	Governance and Audit Committee
Date of Meeting:	28 March 2011
Forward Plan Ref:	

Purpose of Report: To review the Anti Fraud and Corruption Strategy for the coming year 2011-12

Recommended Action: Review and approve the Strategy

Reason for decision to be taken: To minimise the risk of and incidence of fraud and corruption

Other options considered: none

Key background documentation: none

The proposals will also help achieve the following Council Plan Themes:

- CPT13 - Value for Money**
- CPT14 - Effective People**
- CPT16 - Excellent Performance Management**

The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:
Ensuring strong governance

Portfolio Member Details	
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Date Portfolio Member agreed report:	2 nd March 2011

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Implications

Policy: none
Financial: none
Personnel: none
Legal/Procurement: none
Property: none
Risk Management: The strategy aims to minimise the risk of fraud and corruption occurring
Equalities Impact Assessment: No impact anticipated

Is this item subject to call-in?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval	<input type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	

Executive Summary

1. Introduction

- 1.1 The purpose of this report is to review and update the Anti Fraud Strategy, that was introduced in 2009-10, to combat the incidence of fraud and corruption.
- 1.2 The Strategy, appendix A, sets out the key elements of the measures that the Council takes to combat fraud.

2. Proposals

- 2.1 The Fraud Strategy should be approved by the Council.

3. Conclusion

- 3.1 The Council's anti fraud strategy remains up to date and effective.
- 3.2 The Council needs to remain alert to the ongoing incidence of fraud particularly in the area of Benefits and Single Person Discounts.
- 3.3 The Council needs to remain vigilant to new threats of fraud. A good example of this is the recent supplier frauds that have hit councils. Fortunately staff at West Berkshire Council have been alert and have so far blocked such frauds. Other councils have not been so alert and have lost significant sums.

Executive Report

1. Introduction

- 1.1 The Anti-fraud and Corruption Strategy forms part of the governance arrangements of the Council. Its purpose is to minimise the risk of fraud occurring. By minimising the losses through fraud it ensures that the resources available are used for the purposes they were intended for i.e. to support the delivery of the Council's objectives as set out in the Council Plan. A copy of the Strategy is at Appendix A.
- 1.2 The Council maintains high standards of probity and has a good reputation for protecting the public purse. Sound systems of public accountability are vital to effective management and in maintaining public confidence. The Council is committed to protecting the public funds entrusted to it. Although the Council has good policies and procedures they can be ignored, and fraud can happen. The minimisation of losses to fraud and corruption is essential to ensure that resources are used for their intended purpose to provide services to the citizens of West Berkshire.
- 1.3 The public is entitled to expect the Council to conduct its affairs with integrity, honesty and openness, and to demand the highest standards of conduct from those working for it. This Anti-Fraud and Corruption Strategy outlines the Council's commitment to creating an anti-fraud culture, and maintaining high ethical standards in its administration of public funds.
- 1.4 The Strategy is based on best practice set out in the CIPFA Anti Fraud Guide and is designed to sit above a number of related policies and procedures. The Strategy is designed to prevent, detect and deter fraud and to take effective action against any attempted or actual fraudulent act affecting the Council. The Strategy also satisfies the legislative requirements to have effective arrangements for tackling fraud, and conforms with professional guidance laid down in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government.
- 1.5 The Strategy is designed to link with the Council's objectives set out in the Council Plan. Fraud and Corruption inevitably takes resources away from these objectives. By putting in effective measures to prevent fraud the Council can minimise losses and minimise the cost of investigating cases of fraud and corruption.
- 1.6 The Strategy is designed to sit above a number of existing Council policies and procedures to ensure that these are compatible and work together to minimise the risk of fraud and corruption occurring. These include:
- (1) The Anti Fraud and Corruption Policy
 - (2) The Whistleblowing Policy (Confidential Reporting Code)
 - (3) Anti Money Laundering Policy
 - (4) Officer Code of Conduct
 - (5) Disciplinary Code

- (6) Contract and Financial Rules of Procedure
- (7) Recruitment Procedures
- (8) Risk Strategy
- (9) Internal Audit Strategy
- (10) Housing Benefits Anti Fraud Strategy.

2. Bribery Act 2010

2.1 The Bribery Act will come into force on 1st April 2011. The Act will:

- (1) Introduce a corporate offence of failure to prevent bribery by persons working on behalf of a business. A business can avoid conviction if it can show that it has adequate procedures in place to prevent bribery.
- (2) Make it a criminal offence to give, promise or offer a bribe and to request, agree to receive or accept a bribe either at home or abroad. The measures cover bribery of a foreign public official.
- (3) Increase the maximum penalty for bribery from seven to 10 years imprisonment, with an unlimited fine.

2.2 The Ministry of Justice is currently consulting on likely guidance for organisations about how to prevent bribery and as to how an organisation may be able to show that it has adequate bribery prevention procedures in place to constitute a defence to prosecution. Once this is available the Council will need to review its procedures to ensure compliance.

3. New threats

- 3.1 The range of threats of fraud is constantly changing. The latest examples involve fraudsters faking supplier documentation. In one case fraudsters provided new, fabricated, bank account details in an attempt to have BACS payments, from the Council to a supplier, diverted. In another case fraudsters faked a contract novation relating to a software supplier with the aim of diverting payment from the legitimate supplier.
- 3.2 A number of Council's have been caught by this type of fraud and lost significant sums as a result. Fortunately this Council was aware of the risk and alert officers were able to prevent the frauds occurring.
- 3.3 What these two cases do demonstrate is the need for the Council continuously review its systems and procedures to ensure that the risk of fraud is minimised.

4. Anti Fraud work

4.1 The National Fraud Initiative (NFI)

- (1) The NFI is a national data matching exercise previously undertaken by the Audit Commission every two years. It is unclear whether this will continue following the abolition of the Audit Commission. It is designed

to help participating bodies identify possible cases of fraud and detect and correct any under/over payments from public monies. Participation in the NFI was a legal requirement

- (2) Internal Audit review the matched data with colleagues in other services to investigate possible instances of fraud.
- (3) Over the years that this process has been in place the cost of staff time has far exceeded the value of fraud identified.

4.2 Benefits Anti Fraud Team

- (1) The Benefits and Exchequer Service have a small team the investigates cases of Benefit Fraud. This team is very successful in identifying fraud and has carried out a number of successful prosecutions of fraudsters.
- (2) The Government is presently consulting on centralising the Benefits anti fraud teams under Department for Works and Pensions.
- (3) The Benefits and Exchequer Service also have a Discount Review Officer who has been very successful in identifying cases of wrongly claimed Council Tax Single Persons Discount.

4.3 Internal Audit

- (1) Internal Audit carry out a range of audits each year that are designed to review procedures and controls in systems where there is felt to be a risk of fraud.
- (2) For example Internal Audit provided advice to the payments team in Benefits and Exchequer Services that allowed the payments team to identify a number of attempted payment frauds, noted above.

5. Recommendation

- 5.1 The Strategy has been brought to the Governance and Audit Committee for review and adoption by the Council.

Appendices

Appendix A – Draft Anti Fraud and Corruption Strategy 2011-12

Consultees

Local Stakeholders:

Officers Consulted: Corporate Board

Trade Union: