

# Bolton Council

**Report to:** Audit Committee

**Date:** 6th December 2013

**Report of:** Deputy Chief Executive

**Report No:**

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**Report Title:** **Protecting the Public Purse 2013**

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**Confidential /  
Non Confidential:**

(**Non-Confidential**) This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

**Purpose:**

The purpose of this report is to inform committee of the publication of "Protecting the Public Purse 2013" by the Audit Commission and Bolton's response to it.

**Recommendations:**

The Audit Committee is asked to note the content of "Protecting the Public Purse 2013" along with Bolton's position.

**Background  
Doc(s):**

Audit Commission publication "Protecting the Public Purse 2010"  
Audit Commission publication "Protecting the Public Purse 2011"  
Audit Commission publication "Protecting the Public Purse 2012"  
Audit Commission publication "Protecting the Public Purse 2013"

## 1. BACKGROUND:

### 1.1 One of the core responsibilities of Audit Committee is:

“To consider the effectiveness of the authority’s... anti fraud and corruption arrangements”

Audit Committee has approved the council’s Anti-Fraud and Corruption Policy - Our Honesty Policy and associated supporting documents but it is important for committee to understand how the council responds to this issue on a day to day basis.

### 1.2 Each year the Audit Commission undertakes a survey of all local authorities. This survey looks at the level of detected fraud along with the procedures that are in place to detect it and negate it. The results of the survey are published annually in the document “Protecting the Public Purse” which highlights some of the key issues around fraud in local government, including good practice and highlights the current fraud risks that councils face. This report highlights some of the main issues from the 2013 document, a full copy of the document can be found on the Audit Commission website at

<http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf>

## 2. PROTECTING THE PUBLIC PURSE 2013:

### Summary Information:

### 2.1 The information included in the document comes from the submission of data from individual local authorities based upon questions from the Audit Commission. The main headline information is summarised below:

| Detected Fraud 2012/13        |           |           |         |          |
|-------------------------------|-----------|-----------|---------|----------|
|                               | National: |           | Bolton: |          |
|                               | Number    | Value(£M) | Number  | Value(£) |
| Total frauds detected         | 107,000   | 178       | 1,046   | 847,916  |
| Housing & Council tax Benefit | 47,000    | 120       | 576     | 516,721  |
| Council Tax Discounts         | 54,000    | 19.6      | 469     | 331,195  |
| Other frauds                  | 6,000     | 38.4      | 1       | 0        |

In addition to the above councils recovered 2,642 houses with replacement cost of approximately £400 million.

### 2.2 The national figures for 2012/13 represent a 14% reduction in numbers and a 1 % reduction in value over those for 2011/12.

- 2.3 In Bolton numbers of detected cases are up 6% whilst the value of recovery is up 2% on 2011/12.

### **Is fraud declining?**

- 2.4 The national picture from the survey is that the detection of fraud has declined in 2012/13 for other than London authorities and the document asks if the level of fraud in local government is falling. The view is that it is not and asks that question about the level of resource that councils are putting into this work. The table above shows that, in Bolton, both the number and value of detected frauds is up on 2011/12. In addition the resource that Bolton puts into this has increased in 2012/13.

### **Housing tenancy and council tax discount fraud:**

- 2.5 Bolton at Home has in place robust procedures for identifying and investigating allegations of fraud, these include Right to Buy frauds, false information to obtain a property, not principal home, and sub-letting. During 2012/13 89 allegations were investigated and 26 were proved. Regular monitoring reports are presented to Bolton at Home Audit Committee.
- 2.6 Investigations into allegations of Housing and Council Tax Benefit fraud continue to be undertaken, in line with the Council's current policies and procedures. If fraud is uncovered fraudsters are either offered a sanction or if appropriate legal action is taken. Investigation staff aim to prove any fraud being committed in its entirety, this mirrors changes made by DWP in the way they investigate fraud. This has led to an increase in the value of fraudulent overpayments raised recently and the number of cases being referred for legal proceedings, [compared to the number of cases being referred for a sanction]. The Council aims to maximise its publicity of benefit fraud by issuing a press release detailing all prosecution cases, prior to them being heard in court. The Council has supplied a dedicated Investigation Officer to jointly work alongside Officers from Bolton Community Homes [including Bolton at Home], to investigate allegations of tenancy and benefit fraud; these investigations have led to numerous properties being relinquished and Housing Benefit claims being cancelled. Until the implementation of the Government's new SFIS [Single Fraud Investigation Service] when Investigation Officers of the Local Authority will merge with those of the DWP and HMRC, the Council continues to take all allegations of fraud seriously and will do their utmost to act upon these.
- 2.7 During the last twelve months committee has received a number of detailed reports on how Bolton deals with Council Tax discounts. These procedures have led to the recovery of over £330,000 in 2012/13 as show above.

### **Trends and developments:**

- 2.8 The report recognises other areas of fraud which, although lower in value warrant attention from local authorities:
- Business rates
  - Right to Buy
  - Social care
  - False insurance claims
  - Disabled parking concessions
  - Procurement

- Schools
- Internal fraud
- Economic and third sector

These areas are not new and all appear on our fraud risk register, staff in these areas are particular aware of the possibility of fraud and systems and procedures reflect this.

#### **National and local developments in fraud detection and deterrence:**

- 2.9 The report highlights the important role of council members in supporting the right culture to detect and deter fraud. Bolton has its own Honesty Policy which is approved by the Council and subject to regular review. The policy identifies a lead member and lead officer with specific responsibility for anti-fraud, work the policy is supported by a Fraud Response Plan to be used when fraud is suspected.
- 2.10 Included are a range of documents and initiatives that can support council members in their role in promoting good anti-fraud measures including:
- Deterrence measures
  - Fighting Fraud Locally
  - Whistle-blowing guidance
  - Fraud Advisory Panel guidance
  - National Fraud Initiative
  - Fraud briefings – available via external auditors from December 2013

#### **Recommendations:**

- 2.11 The document includes a number of recommendations for councils, registered housing providers and the Department for Communities and Local Government. The recommendations relating to councils are included at Appendix A. Bolton already meets many of these and will be actively pursuing the others. Progress against these recommendations will be brought back to committee for consideration.

### **3. CONCLUSIONS:**

- 3.1 “Protecting the Public Purse 2013” provides useful information on the detection of fraud in local government. It provides indications as to the size of the issue, good practice guidance from a range of authorities, progress in 2012, and markers to future issues.
- 3.2 Bolton has long had an Anti-Fraud and Corruption Policy which includes the councils approach and details of procedures should fraud or corruption be suspected. The council is involved in the Audit Commission NFI programme and has been complemented by the Audit Commission for the work that goes on in Bolton.
- 3.3 It is well known that in times of economic pressure the incidence of fraud can increase and therefore the need for stronger systems and greater vigilance is even

greater. “Protecting the Public Purse 2013” will help to reinforce this issue and provides guidance to good practice and areas of highest risk.

**4. RECOMMENDATION:**

- 4.1 The Audit Committee is asked to note the content of “Protecting the Public Purse 2013” along with Bolton’s position

**RECOMMENDATIONS TO COUNCILS**

Councils should:

- Actively promote a vigorous counter-fraud culture.
- Develop a clear strategy to tackle fraud.
- Work in partnership to reduce fraud
- Prepare effectively for the introduction of the Single Fraud Initiative Service.
- Allocate sufficient resources to tackling fraud
- Improve the use of data to measure their performance in tackling fraud.

## CHECKLIST FOR COUNCILLORS AND OTHERS RESPONSIBLE FOR GOVERNANCE

### GENERAL:

1. Do we have a zero-tolerance policy towards fraud?

**Yes**

*Anti-Fraud and Corruption Policy, Anti-Fraud Action Plan outline the councils position.*

2. Do we have the right approach, and effective counter – fraud strategies, policies and plans? Have we aligned our strategy with *Fighting Fraud Locally*?

**Yes.**

*The above policies reflect good practice and are reviewed/updated every two years or when necessary.*

3. Do we have dedicated counter – fraud staff?

**Yes.**

*Dedicated team in housing and council tax benefits*

4. Do counter – fraud staff review all the work of our organisation?

**?**

*Investigation Panel made up of senior officers.*

5. Does a councillor have portfolio responsibility for fighting fraud across the council?

**Yes**

*Deputy Leaders Portfolio*

6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?

**No.**

7. Have we assessed our management of counter – fraud work against good practice?

**Yes**

*Protecting the Public Purse*

*National Fraud Initiative*

*Member of national and regional groups which provide benchmarking/good practice*

*CIPFA – Better Governance Forum.*

*Fighting Fraud Locally*

8. Do we raise awareness of fraud risks?

a. With new staff?

**Yes**

b. With existing staff?

**Yes**

c. With elected members?

**Not all – Audit Committee**

d. With our contractors?

**Yes**

9. Do we work well with national, regional and local networks and partnerships to ensure we know about the current fraud risk issues?

**Yes,**

*NAFN*

*CIPFA Better Governance Forum*

*GM auditors Fraud Group*

*GM Fraud Investigators Group*

*DWP managers*

10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?

**Yes,**

*See above.*

*Regular NAFN bulletins are circulated around the council*

*Member of NAFN Executive Board.*

11. Do we identify areas where our internal controls may not be performing as well as intended? How quickly to we then take action?

**Yes.**

*Work of internal audit – follow up of recommendations*

*Fraud risk register*

*Investigations Panel looks at learning*

12. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on the matches investigated?



**Yes**

*Positive feedback from Audit Commission regarding our involvement.*

13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?

**Yes.**

*Money laundering policy on intranet, regularly reviewed/updated  
Training session given to staff in high risk areas.*

14. Do we have effective arrangements for:

- Reporting fraud      **Yes** – *Fraud Response Plan*
- Recording fraud      **Yes** – *Fraud Register, Investigations Panel*

15. Do we have effective whistle-blowing arrangements?

**Yes**

16. Do we have effective fidelity insurance arrangements?

**Yes.**

#### **FIGHTING FRAUD WITH REDUCED RESOURCES:**

17. Have we reassessed our fraud risks since the change in the financial climate?

**Yes.**      *Chief Executive's Dept Risk, Fraud Risk Register.*

18. Have we amended our counter-fraud action plan as a result?

**No.**

*Thought to still be appropriate. Due for review March 2014*

19. Have we reallocated staff as a result?

**No.**

*Still concentrate on highest risk areas.*

#### **CURRENT RISK AND ISSUES:**

**Housing tenancy:**

20. Do we take proper action to ensure that we only allocate social housing to those who are eligible?

**Yes.**

*Working closely with Bolton at Home*

21. Do we ensure that social housing is occupied by those to whom it is allocated?

**Yes**

**Procurement:**

22. Are we satisfied our procurement controls are working as intended?

**Yes**

*Internal audit report 2011/12*

23. Have we reviewed our contract-letting procedures since the investigations by the Office of Fair Trading into cartels and compared them with best practice?

**Yes.**

*Contract Standing Orders and Financial Regulations reviewed regularly.*

*New procedures based upon contract framework and use of GM CHEST.*

**Recruitment:**

24. Are we satisfied our recruitment procedures achieve the following:

a. do they prevent us employing people working under false identities?

**Yes** - *evidence of identity is taken at interview and checked, any employment history gaps are also verified*

b. Do they confirm employment references effectively?

c. **Yes** - *referees are contacted to confirm that they are who they say they are and we don't accept personal/home email addresses from people who are supposedly the employer ie the email contact needs to be a clear business email*

d. Do they ensure applicants are eligible to work in the UK? –

**Yes** - *through identity checks and Right to Work checks for **all** new starters and robust checking of Visa, etc. where required for non-EU nationals*

e. Do they require agencies supplying us with staff to undertake the checks that we require? –

**Yes**, *it's part of the Comensura contract that checks are made on the worker's Right to Work in the UK and employment history.*

*References are taken up in the same way as we would for our own staff and where required, a CRB is undertaken and appropriately risk*

*assessed. Our Relationship Manager undertakes regular audits of all supplying agencies and anything “suspect” is referred to us so that we can investigate further and apply our own risk assessment procedures.*

### **Personal budgets:**

25. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?

*System for roll out of further personal budgets still being developed, will include risk assessment, appropriate safeguards, and recognised good practice.*

26. Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?

*See above.*

### **Council Tax Discount:**

27. Do we take proper action to ensure that we only ward discounts and allowances to those who are eligible?

**Yes.**

*Thorough assessment process supported by evidence.*

*Link with NFI matches, Elections section, recent work with private credit agency.*

### **Housing and council tax benefits:**

28. When we tackle housing and council tax benefit fraud do we make full use of the following:
- a. National Fraud Initiative
  - b. Department for Work and Pensions Housing Benefit matching service?
  - c. Internal data matching?
  - d. Private sector data matching?

**Yes, all of above**

### **Emerging Fraud Risks:**

29. Do we have appropriate and proportionate defences against emerging fraud risks:

- Business rates
- Right to Buy
- Social Fund and Local Welfare Assistance
- Local Council Tax Support
- Schools
- Grants