



Audit (Monitoring of Audit Investigations) Sub-Committee

3 November 2014

Time 3.00 pm **Public Meeting?** YES **Type of meeting** Regulatory
Venue Committee Room 4 - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Keith Inston (Lab)
Vice-chair Cllr Christine Mills (Con)

Labour	Conservative	Independent Member
Cllr Dr Michael Hardacre	Cllr Wendy Thompson	Mr Mike Ager Mr Terry Day

Quorum for this meeting is two Councillors.

Information for the Public

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Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 **Apologies for absence**
- 2 **Declarations of interests**
- 3 **Minutes of the previous meeting (21 July 2014)** (Pages 1 - 4)
[For approval]
- 4 **Matters arising**
[To consider any matters arising from the minutes]

DECISION ITEMS

- 5 **Internal Audit Report - Performance Appraisal Scheme** (Pages 5 - 10)
[To consider an update on work to improve performance around the uptake of employee appraisals]
- 6 **Audit Services - Counter Fraud Report October 2014** (Pages 11 - 26)
[To receive the report on current counter fraud activities]
- 7 **National Fraud Initiative: Outcomes and Information for Elected Members and Decision Makers - 2012/13** (Pages 27 - 40)
[To note the Audit Commission Report]
- 8 **CIPFA Code of Practice on Managing the Risk of Fraud and Corruption**
(Pages 41 - 44)
[To note the code of practice]
- 9 **Exclusion of press and public**
[To pass the following resolution:

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information on the grounds shown below.]

Part 2 - exempt items, closed to the public and press

<i>Item No.</i>	<i>Title</i>	<i>Grounds for Exemption</i>
10	Audit Investigations Update (Pages 45 - 48) [To receive the update]	Information relating to any individual. Information which is likely to reveal the identity of an individual. Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (1, 2, 3)

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Meeting of the Audit (Monitoring of Audit Investigations) Sub-Committee Minutes - 21 July 2014

Attendance

Members of the Sub-Committee

Cllr Keith Inston (Chair)
Cllr Dr Michael Hardacre
Cllr Christine Mills (Vice-Chair)
Cllr Wendy Thompson

Members of the Audit Committee

Cllr Harbans Bagri
Cllr Philip Bateman
Cllr Alan Bolshaw
Cllr Jasbir Jaspal

Employees

Dereck Francis	Democratic Support Officer
Keith Ireland	Strategic Director, Delivery
Mark James	Fraud Manager
Katy Morgan	Client Lead Auditor
Richard Morgan	Senior Audit Manager
Mark Taylor	Assistant Director, Finance
Mark Wilkes	Client Lead Auditor

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 Apologies for absence**
Apologies for absence were submitted on behalf of Mike Ager and Terry Day (Independent members).
- 2 Declarations of interests**
Cllr Dr Mike Hardacre declared a personal interest in agenda items 5 and 7 in so far as they relate to the City of Wolverhampton College, the Central; Learning Partnership Board and Woodthorne Primary School.
- 3 Minutes of the previous meeting (28 April 2014)**
Resolved:
That the minutes of the meeting held on 28 April 2014 be approved as a correct record and signed by the Chair.

4 **Matters arising**

There were no matters arising from the minutes of the previous meeting.

5 **Audit Services - Counter Fraud Report July 2014**

Mark Wilkes presented the report which updated the Sub-Committee on the current counter fraud activities undertaken by the Counter Fraud unit within Audit Services.

Resolved:

That the consents of the latest Internal Audit counter fraud update report be noted.

6 **Internal Audit Report - Performance Appraisal Scheme**

The Sub-Committee discussed the report on an internal audit review of the Council's performance appraisal scheme.

Cllr Paul Sweet, Cabinet Member for Performance and Governance had been invited to attend the meeting to discuss the report but owing to a misunderstanding regarding the date of the meeting he was unable to attend.

Keith Ireland, Strategic Director Delivery updated the Sub-Committee on action that had been taken following the discussion at Audit Committee and Full Council on 14 and 16 July respectively regarding the appraisals process. An email had been circulated to all service heads about appraisals and the expectations from the Strategic Executive Board (SEB) for managers to undertake appraisal of their staff. The appraisals process had been reviewed, a report on which would be submitted to this week's SEB meeting. He updated the meeting on the latest available figures on appraisals undertaken in each directorate across the Council. He also reported that he was working on the performance culture within his Directorate and that appraisal was part of that work.

Cllr Wendy Thompson commented that she did not feel there was the will of the political leadership to see the appraisals undertaken.

Cllr Dr Mike Hardacre reported that he did not understand why appraisals were not taking place. He and other members of the Sub-Committee remarked that disciplinary action should to be taken against those in cases where appraisals were not happening. He also reported on the danger of there being a concentration on the negatives of appraisal when it should be seen as a positive experience.

Cllr Phil Bateman acknowledged that there was a willingness to move forward on this issue in order to get the Council to where it wanted to be but it could not be underestimated why the Council was in the position it was today.

Resolved:

That further discussion on the internal audit review report and the Executive's response and plan for improvement be deferred to a meeting in September 2014 and the Cabinet Member for Governance and Performance be requested to attend the meeting.

7 Exclusion of press and public

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business as they involve the likely disclosure of exempt information falling within the paragraphs of Schedule 12A of the Act set out below:

<i>Item No.</i>	<i>Title</i>	<i>Applicable paragraph</i>
7	Audit Investigations Update	1, 2, 3

Part 2 - exempt items, closed to public and press

8 Audit Investigations Update

The Sub Committee received updates on the current audit investigations.

Referring to case reference IL17W, Cllr Dr Michael Hardacre asked what recourse was available to the Council if it was unable to obtain answers to its questions. Keith Ireland suggested that with the Sub-Committee's agreement he would ask the Assistant Director, Finance refer the matter to the Council's external auditors.

The Sub-Committee asked that a check be made to confirm that action had been taken following the audit investigations referred to in case reference IL671. During the discussion on this update it was confirmed that the schools' external HR provider would be providing the HR support for the disciplinary proceedings referred to in the report.

Resolved:

1. That the current position with regard to the audit investigations be noted.
2. That in connection with case reference IL17W – the Assistant Director Finance be requested to refer the matter to the Council's external auditors and that a lesson's learned report be submitted to the next meeting of the Sub-Committee.

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Audit (Monitoring of Audit Investigations) Sub Committee

3 November 2014

Report Title	Internal Audit Report – Performance Appraisal Scheme	
Cabinet Member with Lead Responsibility	Councillor Paul Sweet Governance and Performance	
Accountable Strategic Director	Keith Ireland, Delivery	
Wards affected	All	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Scrutiny Board	21 October 2014

Recommendation(s) for action or decision:

Audit (Monitoring of Audit Investigations) Sub Committee is recommended to consider the report and make recommendations.

1.0 Purpose

1.1 The purpose of this report is to update Audit (Monitoring of Audit Investigations) Sub Committee on the work to improve the performance around the uptake of appraisals after its consideration of the Q1 performance report, and following a recent audit review of the performance appraisal scheme.

2.0 Background

2.1 The Council's new performance appraisal scheme has recently been subject to an internal audit review which found that the completion rate for appraisals was very low. The report also identified a number of issues that may have contributed to the low take up.

3.0 Progress

3.1 HR will give a verbal update to the Audit (Monitoring of Audit Investigations) Sub Committee on the progress made in implementing the actions arising from the audit report.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report [GE/07102014/W].

5.0 Legal implications

5.1 There are no direct legal implications arising from the recommendation in this report [RB/07102014/Z].

6.0 Equalities implications

6.1 There are no direct equal opportunities implications arising from this report.

7.0 Environmental implications

7.1 There are no direct environmental implications arising from this report.

8.0 Human resources implications

8.1 There are no direct human resources implications arising from this report.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendations in this report

10.0 Schedule of background papers

10.1 Internal audit report – Performance Appraisal Scheme.

Staff Appraisals – update @ 30 September 2014

Directorate	Approximate Appraisals completed @ 30 September 2014	Approximate Employee Count @ 30 September 2014	Take up %
Community	735	1900	38.7
Delivery	1408	2279	61.8
Education and Enterprise	261	1304	20.0
OCE	19	36	52.8
West Midlands Pension Fund	85	112	75.9
Total	2508	5631	44.5

Audit Report – agreed actions update

No	Action to address issues	Responsibility	Target date	Update @ 30 September 2014
3.1	All managers should be regularly reminded through a number of channels, of the need to carry out, and log regular performance appraisals in line with the requirements of the Council's policy.	HR / Communications	31/10/2014	A communications plan is in place to provide updates through City People in October. Briefings to management teams are taking place through October on recording and logging appraisals

No	Action to address issues	Responsibility	Target date	Update @ 30 September 2014
	<p>The number of appraisals undertaken against performance targets should be monitored at regular intervals by each directorate's management team, and corporately by the Strategic Executive Board.</p> <p>Formal intervention should be taken in areas of continued non-compliance.</p>	<p>HR (Establishment officer)</p> <p>Directors/ Assistant Directors</p>	<p>Ongoing</p> <p>ongoing</p>	<p>A report is provided at the end of each month highlighting the number of appraisals completed and recorded for the whole Council, broken down by service areas. Report issued to SEB and directorates.</p>
Page 8	<p>8.2 The corporate performance measure “% of appraisals completed” should be clearly defined and a data quality review undertaken to ensure the validity of the data provided within the corporate performance report.</p> <p>Following such a review, any required clarification to the performance appraisal policy, particularly around the comments made in this report and the subsequent impact they have on determining and measuring performance, should be addressed.</p>	<p>Policy Team (Policy Officer)/ HR (Establishment officer)</p>	<p>31/10/2014</p>	<p>Changing the establishment database from mainframe to Agresso to ensure greater accuracy.</p> <p>Establishment officer is meeting with Assistant Directors and Heads of Services to cleanse the Agresso establishment data to ensure accuracy.</p> <p>Jobs across the council that are not required for the appraisal process have been cleansed from reports (e.g. casuals, new starters in first 6 months) to ensure more accurate performance measures.</p> <p>The reporting tool has been simplified.</p>

No	Action to address issues	Responsibility	Target date	Update @ 30 September 2014
3.3	Managers who have failed to carry out appraisals, or feel they have a lack of awareness of what is required, should be encouraged to engage in the various training/policy raising opportunities available to them.	Senior managers HR/Workforce Development	ongoing	Senior managers setting standards and targets for appraisals for their direct reports. Appraisals policy and learning resources are advertised and signposted through HR Intranet and City People.
3.4	The profiling of the corporate performance measure target should be reviewed to ensure that it is both realistic and achievable.	Policy Team (Policy Officer)	November 2014	It is proposed to amend the indicator to a rolling (within year) % of employees who have an up to date appraisal, therefore the target would be 100%. This will be up dated in the Q2 report which is going to Cabinet on the 17 November (then on to Scrutiny Board).
3.5	Accurate and up to date structural charts with clear lines of accountability should be maintained to identify responsibility for the completion of performance appraisals (including agency/interim/ consultancy staff). All such accountability should be kept within reasonable and manageable limits.	HR (Establishment officer)/ Futureworks (HR System Specialist)	Ongoing	Changing the establishment database from mainframe to Agresso to ensure greater accuracy and ongoing data cleansing. Will require ongoing amendment to reflect restructuring.

No	Action to address issues	Responsibility	Target date	Update @ 30 September 2014
3.6	<p>A more pro-active promotion of the performance appraisal scheme should be undertaken through mechanisms such as the intranet/Agresso/payslip messages.</p> <p>Further promotion activities should also be investigated at a local/directorate level</p>	<p>HR / Communications</p> <p>Directors/ Assistant Directors</p>	Ongoing	See 3.1.
3.7	Managers carrying out appraisals should be reminded of the need to follow the official guidance, and fully complete the formal documentation (including the work plan).	Senior managers	Ongoing	Appraisal learning modules and support available through the Learning Hub and new training now available on completing the personal development plan.



Audit (Monitoring of Audit Investigations) Sub Committee

3 November 2014

Report Title	Audit Services – Counter Fraud Report October 2014	
Cabinet Member with Lead Responsibility	Councillor Andrew Johnson Resources	
Accountable Strategic Director	Keith Ireland, Delivery	
Originating service	Delivery/Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 55(4460) peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendations for noting:
The Committee is asked to note:

The contents of the latest Internal Audit Counter Fraud Update.

1.0 Purpose

1.1 The purpose of this report is to provide Members with an update on current counter fraud activities undertaken by Audit Services.

2.0 Background

2.1 The cost of fraud to local government is estimated at £2.1 billion a year. This is money that could be used for local services.

2.2 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Department for Communities and Local Government, predominantly through the work of, what was, the National Fraud Authority and its "Fighting Fraud Locally: The Local Government Fraud Strategy".

3.0 Progress, options, discussion, etc.

3.1 At the last meeting of the Audit Sub-Committee in July 2014, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Sub-Committee.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report [GE/20102014/G].

5.0 Legal implications

5.1 Investigations by the Counter Fraud Unit may have legal implications depending upon what action is taken or decided against in respect of those investigations. [KR/22102014/S].

6.0 Equalities implications

6.1 There are no equalities implications arising from this report.

7.0 Environmental implications

7.1 There are no environmental implications arising from this report.

8.0 Human resources implications

8.1 There are no human resources implications arising from this report.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the implications in this report.

10.0 Schedule of background papers

10.1 None.

Wolverhampton

City Council



Audit Services – Counter Fraud Report October 2014



1 Introduction

The counter fraud agenda is one that has recently gained significant prominence from Central Government who are promoting a wide range of counter fraud activities. The purpose of this report is to bring the Audit Sub-Committee up to date on the counter-fraud activities undertaken by the Counter Fraud Unit within Audit Services.

Wolverhampton City Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. This message is made clear within the Authority's Anti-Fraud and Corruption Policy, which states: "The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council."

2 The Counter Fraud Unit

The Counter Fraud Unit, which sits within Audit Services, is continuing to develop and lead in raising fraud awareness across the council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity and organises a series of council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team maintains the Council's fraud risk register, and hosts raising fraud awareness seminars and fraud surgeries. An anti-fraud and corruption newsletter is also produced. In addition they lead on the Audit Commission's National Fraud Initiative (NFI) exercise.

3 Counter Fraud Update

Counter Fraud Plan

The latest status of progress against the Counter Fraud Plan 2013/15 is shown at Appendix 1

Department for Communities and Local Government (DCLG) Fraud Funding Bids

The DCLG has invited local authorities to bid for funding to increase their capability and capacity in tackling non-benefit fraud. The Council has submitted a bid for funding to develop a Fraud Intelligence Hub. In addition, the Council has also entered into partnership agreements for two further joint bids for counter fraud funding. Brief descriptions of the applications are provided below.

- **Fraud Intelligence Hub**

Fraudsters potentially perpetrate multiple frauds on the basis that some Council systems make the sharing of information difficult. The objective of the Fraud Intelligence Hub is to build a profile of potential fraudsters who may be committing a number of frauds. The Hub will enable information from all Council Services to be pooled and the extent of frauds committed against the Council fully recognised. The outcome will be to use the intelligence to ensure potential multiple fraudsters are investigated, prosecuted, losses recovered and the intelligence used to identify and prevent further attempted frauds.

- **Regional Intelligence and Forensic Analysis Hub**

The Council is supporting a bid to fund the ongoing development of a Regional Fraud Intelligence Hub. The Hub currently enables participating Midland Local Authorities to securely provide data which can be used to identify potential fraudulent activity. However, this current Regional Hub is restricted to social housing fraud. If the bid is successful the additional funding will be used to extend the scope of the Hub to include other types of fraud and to involve more Midland Local Authorities. Each participant will have online real-time access to intelligence which can be used to prevent fraud. In addition, targeted data matching exercises will be completed to detect fraud that has already occurred.

- **Counter Fraud App**

The Council is supporting a bid from an application developer to produce a Counter Fraud App for use by the public. The App will be capable of being branded and tailored for each Council. The App will enable the fraud awareness message to be communicated to the public; this will include details of key fraud threats and success stories. The public will also be able to report potential frauds using the App.

Immigration Enforcement presentation

The Counter Fraud Unit arranged for officers from the new Home Office Immigration, Compliance and Enforcement service to visit the Council in October and deliver a presentation to 35 staff representing a cross section of service areas who deal with immigration related issues.

The background to this was the recent closure of the UK Border Agency, with the enforcement activities becoming the responsibility of 'Immigration Enforcement', which is a part of the Home Office. The role of Immigration Enforcement is to target criminality and remove incentives for people to stay illegally. In the West Midlands Immigration Enforcement is increasing the number of arrest trained officers from 38 to 90. Immigration Enforcement is keen to work with local authorities to tackle illegal immigration. The presentation included an overview of Immigration Enforcement, immigration issues and identity checking.

The presentation provided contact details and opportunities for a working relationship to be established between Council officers and Immigration Enforcement Team, and those attending found it beneficial

Benefit Fraud outcome of Investigations 2014/15

The table below identifies the value and number of benefit fraud overpayments resulting from investigations to the end of September 2014. These are cases where the claimant has either provided inaccurate information in order to obtain benefits or has failed to inform the Council that their circumstances have changed resulting in them no longer being eligible to receive benefits. The Council uses intelligence to identify dishonest benefit claimants and to actively pursue the recovery of fraudulently claimed payments and where appropriate penalise the perpetrator. A total of 95 investigations have been completed. These resulted in overpayments which either did not meet the criteria for a sanction to be invoked or overpayments which resulted in a sanction or a prosecution, penalty or a caution. Overpayments are recovered through

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established Council systems, for example, by revenues and benefits or through the debtor systems.

Sanction	Value of overpayment £	Number of cases
Non Sanction Over Payment	£177,000	67
Prosecution Over Payment	£53,000	9
Penalty Over Payment	£15,000	16
Caution Over Payment	£300	3
Total	£245,300	95

Examples of recent successful prosecutions are included at Appendix 2.

Benefit Fraud Investigation Team

The Department for Work and Pensions (DWP) is creating a Single Fraud Investigation Service (SFIS). The new SFIS service will combine the DWP and part of what was the local authority benefit fraud investigators into a single team, managed by the DWP. It is anticipated that some benefit fraud employees, currently working for the Council, may transfer to SFIS under arrangements similar to TUPE. For Wolverhampton employees the transfer is planned to take place on 1 June 2015. Further details will be brought before the Committee as they become known.

National Fraud Initiative: Audit Commission - Outcomes and Information for Elected Members and Decision Makers - 2012/13

In June 2014, the Audit Commission reported that £203 million of fraud, overpayment and error was identified across England alone. The Audit Commission has provided Wolverhampton City Council with a bespoke information pack that brings together key facts about the National Fraud Initiative (NFI) exercise. The information pack, which will be circulated during this meeting provides details of financial outcomes and comparisons to our nearest neighbours and will be presented to the meeting as a separate document. Things to note include:

- The data was captured on the 31 March 2014, which was at the end of the previous 2012/13 NFI exercise and draws in part on the Audit Commission's national report.
- Any outcomes recorded locally outside of the NFI web application will be excluded from the information pack.
- Where data matching shows little or no fraud and error, assurance can be obtained about the Councils control arrangements. It also reinforces the evidence used when compiling the Council's annual governance statement.

In addition, the pack also links to a series of questions to put to the Council's NFI Senior Responsible Officer. These responses help understand how the NFI is being used within the Council, the benefits of taking part and whether the benefits are being

maximised. Responses to the questions have been prepared and can be found at Appendix 3 of this report.

National Fraud Initiative – 2012/14 exercise

The Counter Fraud Unit co-ordinates the investigation of matches identified by the Audit Commissions National Fraud Initiative (NFI) data matching exercises. Where matches are identified the ensuing investigations may detect instances of fraud, over or underpayments, and other errors. A match does not automatically mean there is a fraud. Often there is another explanation for a data match that prompts bodies to update their records and to improve their systems.

The outcomes from the 2012/14 NFI exercise are shown below.

Description	Previously Reported (£)	Current value (£)
Housing benefit claimants to student loans (2013)	57,689	87,340
Housing benefit claimants to student loans (2014)	4,487	10,125
Housing benefit claimants to WCC payroll	1,450	1,450
Housing benefits claimants to WCC pensions	18,053	18,053
Housing benefit claimants to external payrolls	4,724	4,724
Housing benefits claimants to external pensions	41,654	41,654
Housing benefits claims to external housing benefits claims	1,770	1,770
Housing benefits claims to external housing tenants	360	360
Pension gratuity to DWP deceased records	16,005	16,005
Overpaid VAT	4,474	4,474
Right to buy to housing benefit claimants	0	20,000
Duplicate invoice records (different creditors)	5,246	5,246
Single person discount (2010/11)	95,063	95,063
Rising 18's (2010/11)	12,879	12,879
Total	263,854	319,143

Action is being taken to recover the value of the fraud and error wherever possible.

National Fraud Initiative – 2015/16 exercise

During October 2014 datasets from a number of Council Service Areas were uploaded to the Audit Commissions National Fraud Initiative (NFI) web site. The data will be matched and the results will be released late January 2015. Details of progress will be brought before the Committee as they become known.

Corporate Fraud Group

The Counter Fraud Unit chaired the fourth Corporate Fraud Group meeting which was held in September 2014. The Group brings together Council officers from a number of service areas who deal with potential frauds. It was identified that by developing a better understanding of the types of frauds facing the Council, officers will potentially be able to work together when conducting investigations. At the September meeting topics discussed included fraud related to insurance, data matching, local taxes and identity verification.

Midland Fraud Group

The Midlands Fraud Group held a meeting during June 2014. The group consists of fraud officers from across the Midlands local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the June meeting topics discussed included fraud related to procurement, direct payments and measurement of fraud. Other issues discussed included the Single Fraud Investigation Service, the National Fraud Initiative and cases of interest.

Fraud Risk Register (Appendix 4)

The Counter Fraud Unit maintains the Council's fraud risk register. The register is used to identify areas for testing and also to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud.

Counter Fraud Plan 2013-15 update

Issue	Action	Timescale
Raising counter fraud awareness across the council	Develop and deliver Fraud Awareness seminars for managers and supervisors	Completed April, May & June 2013
	Develop on line fraud training for staff.	Completed October 2013
	Work with Workforce Development to develop and promote fraud training.	Ongoing use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Summer 2015
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Latest surgeries held March 2014
	Periodically issue a fraud and corruption newsletter.	Latest issue March 2014
	Use various forms of media to promote fraud awareness across the council including City People, the intranet and the internet.	City People Article and message on reverse of payslips March 2014
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	Message on reverse of payslips March 2014
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Audit Commission's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going
	Complete the annual Audit Commission fraud survey.	Completed May 2014
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for Pensions Gratuities – January 2014 To be used for Personal Budgets – Autumn 2014
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – Latest meeting June 2014
	Attend external fraud seminars and courses.	On-going

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Issue	Action	Timescale
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> • CIPFA Red Book 2 	Completed for 2013 Annual
	<ul style="list-style-type: none"> • Audit Commissions - Protecting the Public Purse 	May 2014 Annual
	<ul style="list-style-type: none"> • Department for Communities and Local Government – ten actions to tackle fraud against the council. 	Winter 2014
	<ul style="list-style-type: none"> • NFA / PKF Fraud Resilience Toolkit 	Autumn 2014
Identify and rank the fraud risks facing the council	Manage the council's fraud risk register to ensure key risks are identified and prioritised.	Substantially completed continue to refine Autumn 2014
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	Autumn 2014
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	Autumn 2014
Work with other fraud investigation teams at the council	Develop good communication links between the Counter Fraud Unit, the Benefits Investigation Team, Wolverhampton Homes, and Audit Services.	Fraud Group established – latest meeting May 2014
	Maintain an overview of the progress made with the tenancy data sharing agreement between Wolverhampton Homes and Birmingham City Council.	Ongoing
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	Immigration Enforcement Presentation October 2014
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; The Audit Commissions Annual Protecting the Public Purse report and the National Fraud Initiative report.	Annual ongoing
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Fraud Group established – latest meeting September 2014
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other councils.	Autumn 2014 onwards
	Undertake a programme of proactive target testing.	Autumn 2014 onwards
	Respond to external requests for information or requests to take part in national initiatives.	Autumn 2014 onwards

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Issue	Action	Timescale
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Fraud Group established – latest meeting May 2014
	Manage and co-ordinate fraud investigations across the council.	Ongoing
	Implement and update the council's portfolio of fraud related policies in response to changes in legislation.	New policies approved March 2014
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	Ongoing
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the council's strategic partners.	Ongoing
	Partnership agreements to include the council's rights of access to conduct fraud investigations.	Ongoing
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	Frauditor and payslips March 2014
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the council.	Latest surgeries held 5 th & 12 th March 2014
	Seek other methods of engaging with employees and the public to report fraud.	Frauditor, payslips and City People – March 2014
	Where appropriate ensure allegations are investigated and appropriate action taken.	Ongoing
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services, Benefits Fraud Team and Wolverhampton Homes.	Fraud Group established – latest meeting September 2014
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Sub Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	June 2014 onwards quarterly

Details of recent benefit fraud prosecutions

Case 1

A claimant started to receive Council Tax Benefit in 2000, as an owner occupier. At the time of making the claim no other income or bank accounts were declared. An anonymous allegation was received in January 2013 indicating that the claimant had an undeclared occupational pension. An investigation was conducted and details of the occupational pension were obtained.

The claimant fraudulently claimed £1,827 in Council Tax Benefit between April 2003 and April 2006. She was sentenced to an 8 month prison sentence, suspended for 2 years.

Case 2

A claimant started to receive Housing Benefit and Council Tax Benefit in 2006, as a Local Authority tenant. At the time of making the claim no other income or bank accounts were declared. An anonymous allegation was received in August 2013 indicating that the claimant was living with her ex-partner and was now married. It was further suggested that the partner was in full time employment.

An investigation found that the claimant had fraudulently claimed £2,870 in Housing Benefit and £581 in council Tax Benefit for the period October 2011 to June 2013.

The claimant admitted to getting married and dishonestly making a false statement to obtain benefits. The claimant pleaded guilty and was sentenced to 12 months community service and 160 hours of unpaid work.

National Fraud Initiative

A Checklist for Elected Members and Decision Makers in Councils in England

Questions for councillors to support 2014 individual National Fraud Initiative briefings

These questions are designed to be used in conjunction with individual National Fraud Initiative briefings for local authorities. Together, they will help Councillors do more to improve public confidence in their Council's efforts to tackle fraud in a range of areas.

	Question	Answers and Actions
1	<p>Reviewing the results in your slide pack</p> <ul style="list-style-type: none"> • What were our outcomes from the most recent NFI exercise? • How do we compare to other similar councils? • Are there areas where we appear to perform well/did not perform well? 	<p>The outcomes of the National Fraud Initiative for Wolverhampton City Council have been positive, and have been reported on an on-going basis to the Sub-Audit Committee through this, and previous Counter Fraud Update Reports. As can be seen from the Audit Commission's briefing, the Council performs well when compared to other similar councils. Areas we particularly performed well in, include Council Tax. Areas where we believe we could perform even better in the future include the number of matches processed.</p>
2	<p>Maximising the benefits of the NFI</p> <ul style="list-style-type: none"> • Are data matches followed up promptly? • Are funds being successfully recovered? • Do we prosecute where possible? • What assurances or conclusions do we draw from the NFI about the effectiveness of internal controls and the risks we face? • What changes, if any, have we made as a result of these conclusions? 	<p>Matches are processed by service areas with support from Audit Services. Where a fraud, error or overpayment is identified action is taken to recover monies and where possible fraudsters are prosecuted. Where possible lessons are learnt and changes are made to controls within systems. The outcome of the NFI exercises also provide a level of assurance about internal controls.</p>

	Question	Answers and Actions
3	<p>The NFI in our council</p> <ul style="list-style-type: none"> • What governance arrangements do we have in place to ensure we achieve the best possible outcomes from the NFI and who monitors them? • Is the NFI included in the remit of our audit committee or equivalent committee? • How do we keep other elected members or non-executive members informed about the NFI? • How is the NFI reflected in the governance training and development provided for officers and elected members? 	<p>The Counter Fraud Unit within Audit Services is responsible for co-ordinating the NFI exercise. The outcomes from the NFI exercises are reported quarterly to the Audit Sub-Committee. Other elected members or non-executive members can access the Committee minutes if they require more information.</p>
Page 24	<p>Broadening your council's engagement with NFI</p> <ul style="list-style-type: none"> • Did we participate in the subsidised personal budget (direct payments) to deceased data pilot and housing benefits to student loans pilot matching that the NFI offered in October 2013? If not, why not? • Are there any potential pilot matches we want to suggest to the NFI team? • Have we considered how we could use the NFI flexible data matching service to prevent fraud or detect fraud sooner? 	<p>The Council participated in the housing benefit to student loan pilot matches. In addition, the Council has used the flexible matching service to match Payroll Deferred Pensioners to the Department of Works and Pensions deceased persons list. Matches that regularly result in positive outcomes could be run more frequently for example annually rather than every two years. We will explore options for using the NFI flexible matching service to prevent fraud.</p>
5	<p>The NFI fit with wider counter-fraud policies</p> <ul style="list-style-type: none"> • Do we have an elected member for 	<p>The Investigations Audit Sub-Committee is responsible for overseeing counter fraud activity and NFI exercises. Information from the NFI exercises is used to inform the Council's Counter Fraud Plan. The outcomes of the NFI exercises are publicised through these counter fraud updates,</p>

	Question	Answers and Actions
	counter fraud activity and the NFI? <ul style="list-style-type: none">• How does the NFI influence the focus of our counter fraud work?• Do we publicise the outcomes from the NFI externally?	although we are always looking at exploring other avenues to promote the NFI outcomes.

Fraud Risk Register @ October 2014

Appendix 4

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy.	Red
Housing Benefit	Claiming benefits to which not entitled	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single persons discount, Local Council Tax Support Schemes	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple councils.	Red
Welfare Assistance	Fraudulent claims	Amber
Procurement	Collusion (staff and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status	Amber
Payroll	'ghost' employees, expenses, claims, recruitment	Amber
Blue Badge	Fraudulent applications, use and continuing to receive after a person dies	Amber
Electoral	Postal voting, canvassing	Amber
Schools	School accounts, expenses, procurement, finance leases	Amber
Theft	Theft of council assets including cash	Green
Insurance	Fraudulent and exaggerated claims	Green
Manipulation of data	Amending financial records and performance information	Green
Bank Mandate Fraud	Fraudulent request for change of bank details.	Green
Grants	False grant applications, failure to use for its intended purpose	Green
Bribery	Awarding of contracts, decision making	Green
Money Laundering	Accepting payments from the proceeds of crime	Green

National Fraud Initiative

Outcomes and Information for Elected Members and Decision Makers - 2012/13

Wolverhampton City Council

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Introduction to the slide pack



This slide pack is intended for use by elected members and senior decision makers to inform you about the National Fraud Initiative (NFI) and data matching at your organisation

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We have included a summary of the key findings of the latest NFI national report and a summary of key points from the NFI checklist for decision makers and elected members which can be found in full on the [NFI website](#)

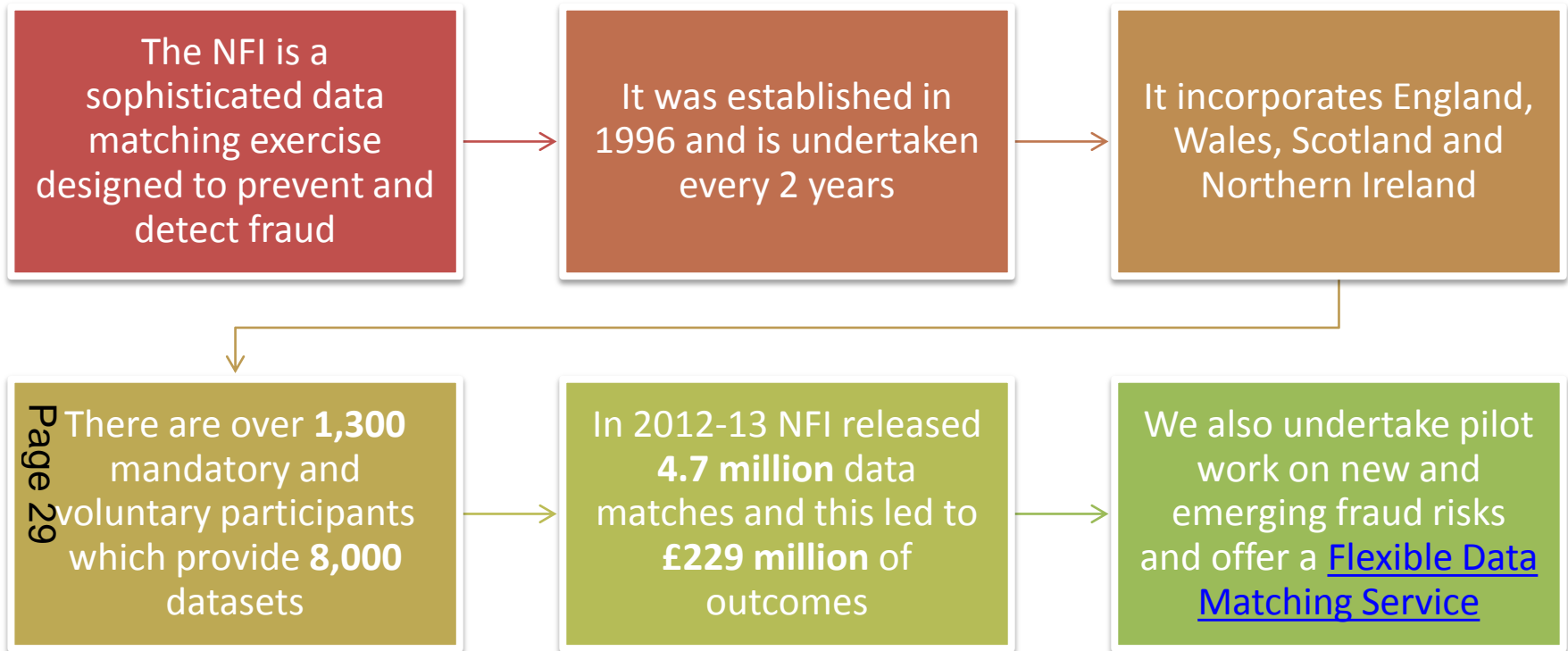


We have also included key NFI activity data for 2012/13 alongside tailored charts so you can compare your organisation with your neighbouring councils with similar profiles to yours



In case you have any questions we have included a glossary and link to further information at the end of the slide pack. If you require further information please contact nfiqueries@audit-commission.gsi.gov.uk

Background to the NFI

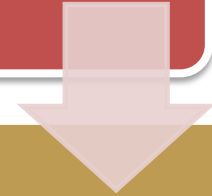


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The NFI National Report

Key outcomes and recommendations for bodies participating in the NFI are reported every two years in the NFI National Report



The report is intended for council members, non-executives and senior officers at audited bodies and was most recently published in June 2014



The report helps to demonstrate the effectiveness of the NFI in preventing and detecting fraud

Key Outcomes of the 2012/13 exercise - across England



£203 million in fraud and error was detected



571 prosecutions



120 people employed without the right to work in the UK were identified and as a result were dismissed or asked to resign



86 properties recovered by social landlords



21,396 blue badges and 78,443 concessionary travel passes cancelled

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The figures in the national report for detection of fraud, overpayment and error include outcomes already delivered and estimates. Estimates are included where it is reasonable to assume that the fraud, overpayment and error would have continued undetected without the NFI data matching. A more detailed explanation is included in [Appendix 1 of the NFI national report](#). If you have any further queries about the data in the slides please contact the NFI team using the contact details at the end of this slide pack.

Data matching at your organisation



The table and bar charts have been provided to give you an overview of the data matching activities at your council in relation to the most relevant comparator councils.

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The table highlights the proportion of data matches followed up by your council. Participants of NFI receive a report of data matches that they should follow-up, and investigate where appropriate, to detect instances of fraud, over- or under-payments and other errors, to take remedial action and update their records accordingly.



Even where data matching shows little or no fraud and error, this still assures bodies about their control arrangements. It also strengthens the evidence for a council's annual governance statement.

Activity and Engagement with NFI – Wolverhampton City Council

	Total NFI matches in progress or processed	NFI recommended matches in progress or processed
Wolverhampton City Council	20% (2,466)	22% (620)
CIPFA nearest neighbours (Mean)	23% (2,213)	60% (1,156)
Metropolitan Districts (Mean)	20% (2,778)	47% (1,143)

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The CIPFA nearest neighbours are the 15 councils which have been modelled as those with the most similar profile by CIPFA. More detail of the 2009 modelling methodology can be found at http://www.cipfastats.net/default_view.asp?content_ref=2748

Understanding the bar charts

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Outcomes relating to your council are highlighted in yellow in the bar charts. The performance of your 15 CIPFA nearest neighbours are shown in the green bars.

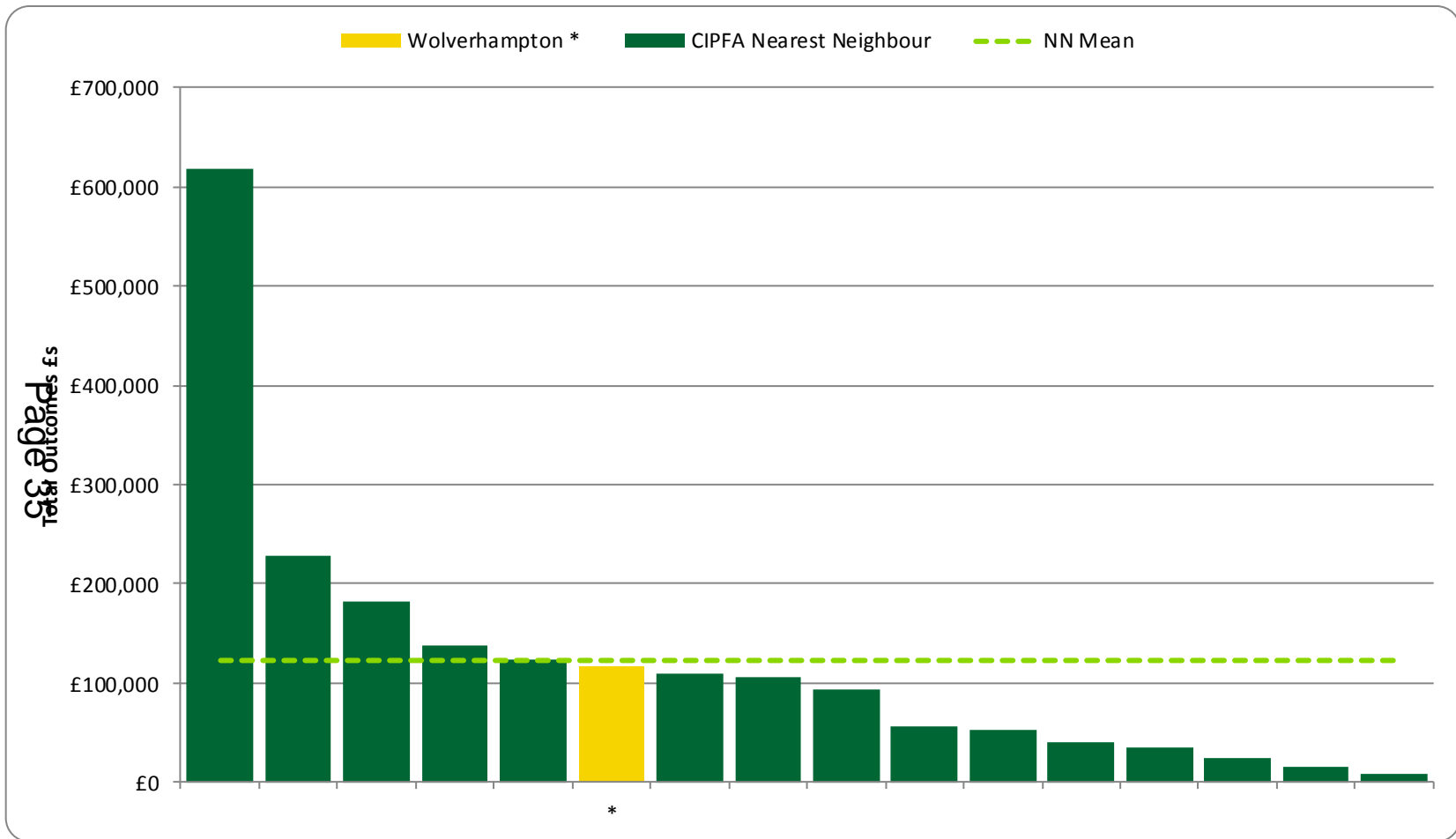


The mean value for your CIPFA nearest neighbours is highlighted by a green dashed line.



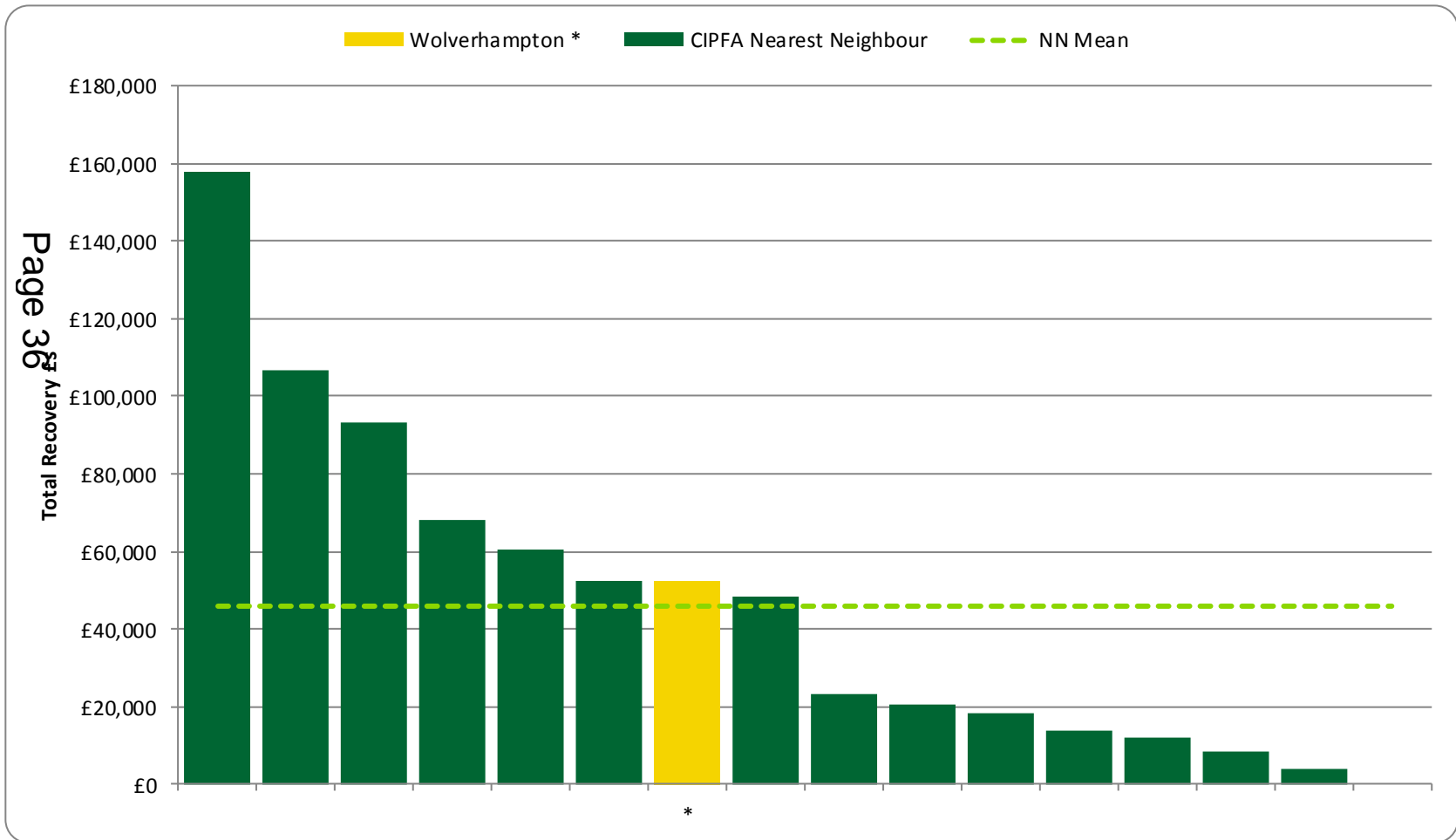
A '*' symbol has been used to denote where your council has no outcomes recorded.

Total NFI Outcomes – Wolverhampton City Council



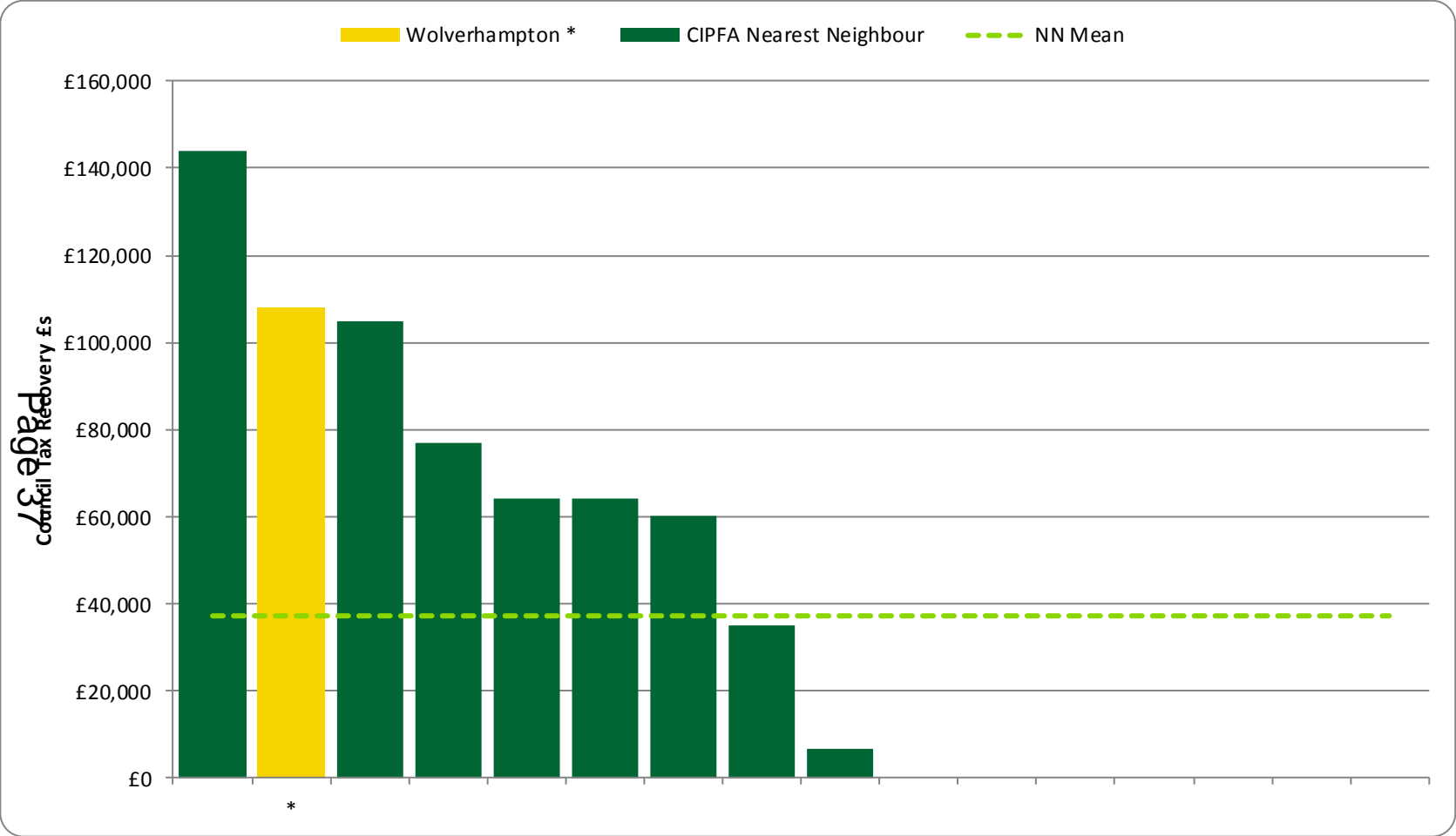
Please note outcomes from the NFI housing waiting lists pilot and council tax outcomes recorded in the NFI 2010/11 web application and FMS web application have not been included in this analysis.

Total NFI Recovery – Wolverhampton City Council



Please note this excludes council tax recovery recorded in the 2010/11 web application and FMS web application.

NFI Council Tax Outcomes – Wolverhampton City Council



Data relates to outcomes recorded in the 2010/11 web application and FMS web application.

Questions for Elected Members and Decision Makers

The NFI in our council

- Page 38
- What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?

Maximising results

- Are we ensuring we maximise the benefits of the NFI for example, following up data matches promptly, recovering funds and prosecuting where possible?
- What assurances have we drawn about the effectiveness of internal controls and the risks faced by our council?

Broadening our council's engagement with the NFI

- Are we taking advantage of the opportunity to suggest and participate in the NFI pilot exercises and using the NFI Flexible Data Matching Service?

The NFI fit with wider counter-fraud policies

- How does the NFI influence the focus of our counter-fraud work for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?

Glossary

Council tax outcomes	Council tax data is matched to electoral register data in order to identify instances where single persons discount may have been incorrectly awarded.
Flexible matching service	The flexible matching service allows you to re-perform any of the existing NFI data matching on demand outside of the usual two yearly programme but still using the proven NFI technology.
Mandatory participants	Bodies to which the Audit Commission appoints auditors other than registered social landlords as specified in Schedule 2 of the Audit Commission Act 1998.
NFI web application	The Commission has set up a secure, password-protected and encrypted website for its data matching exercises, known as the NFI web application.
Outcomes	Investigation of an NFI match may lead to a benefit being cancelled, overpayment generated or blue badges or concessionary travel passes being identified as invalid. These examples would be reported as NFI outcomes.
Pilots	The Commission will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud should they be extended nationally.
Recommended data matches	Matches considered to be of higher risk of potential fraud are signposted as a recommended data match.
Recovery	Where bodies seek to recover money lost as a result of fraud, error or overpayment.
Voluntary participants	Bodies that are outside Schedule 2 of the Audit Commission Act 1998 but elect to participate in NFI voluntarily.

If you have any further questions about the content of these slides please contact us using the details on the next slide.

Further Information

For further information about the NFI please look at our website

[NFI Website](#)



For further information about our Flexible Data Matching Service please follow the link below

[FMS Information](#)



For checklist questions for elected members and decision makers please follow link below

[NFI Checklist](#)



For any other queries please telephone 0303 444 8322 or email

nfiqueries@audit-commission.gsi.gov.uk





Audit (Monitoring of Audit Investigations) Sub Committee

3 November 2014

Report Title	CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	
Cabinet Member with Lead Responsibility	Councillor Andrew Johnson Resources	
Accountable Strategic Director	Keith Ireland, Delivery	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation(s) for action or decision:

The Sub-Committee is recommended to:

Note the latest CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

1.0 Purpose

1.1 The purpose of this report is to bring CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption to the Committee's attention.

2.0 Background

2.1 CIPFA's recently published Code of Practice on Managing the Risk of Fraud and Corruption has been produced in order to support organisations seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption. It includes five principles:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide recourses to implement the strategy
- Take action on response to fraud and corruption

We believe that these are already embedded within the counter fraud work undertaken at Wolverhampton. However, a more detailed self-assessment against the counter fraud plan to confirm this will be undertaken.

3.0 Progress, options, discussion, etc.

3.1 The new code of practice will be used to inform all counter fraud activity and regular updates will continue to be brought before the Audit Sub-Committee.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report [GE/21102014/V].

5.0 Legal implications

5.1 Counter fraud work may have legal implications depending upon what action is taken or decided against in respect of that work. There are no legal implications arising from the recommendation in this report [KR/22102014/A].

6.0 Equalities implications

6.1 There are no direct equal opportunities implications arising from this report.

7.0 Environmental implications

7.1 There are no direct environmental implications arising from this report.

8.0 Human resources implications

8.1 There are no direct human resources implications arising from this report.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendations in this report

10.0 Schedule of background papers

10.1 CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

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