

AUDIT COMMITTEE

Monday,
5 November 2007
6.00 p.m.

Conference Room 1,
Council Offices, Spennymoor

AGENDA and REPORTS



01388 816166



This document is also available in other languages, large print and audio format upon request

العربية (Arabic)

إذا أردت المعلومات بلغة أخرى أو بطريقة أخرى، نرجو أن تطلب ذلك منا.

বাংলা (Bengali)

যদি আপনি এই ডকুমেন্ট অন্য ভাষায় বা ফরমেটে চান, তাহলে দয়া করে আমাদেরকে বলুন।

(中文 (繁體字)) (Cantonese)

如欲索取以另一語文印製或另一格式製作的資料，請與我們聯絡。

हिन्दी (Hindi)

यदि आपको सूचना किसी अन्य भाषा या अन्य रूप में चाहिये तो कृपया हमसे कहे

polski (Polish)

Jeżeli chcieliby Państwo uzyskać informacje w innym języku lub w innym formacie, prosimy dać nam znać.

ਪੰਜਾਬੀ (Punjabi)

ਜੇ ਇਹ ਜਾਣਕਾਰੀ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦੀ, ਤਾਂ ਇਹ ਸਾਥੋਂ ਮੰਗ ਲਓ।

Español (Spanish)

Póngase en contacto con nosotros si desea recibir información en otro idioma o formato.

اردو (Urdu)

اگر آپ کو معلومات کسی دیگر زبان یا دیگر شکل میں درکار ہوں تو برائے مہربانی ہم سے پوچھیے۔

AGENDA

1. **APOLOGIES**
2. **DECLARATIONS OF INTEREST**
To notify the Chairman if you have an interest in any of the following items.
3. **MINUTES**
To confirm as correct records the minutes of the meetings held on 25th June and 28th September 2007. (Pages 1 - 8)
4. **INTERNAL AUDIT - REPORT FOR HALF YEAR ENDED 30TH SEPTEMBER 2007**
Report of Director of Resources (Pages 9 - 30)
5. **COUNTER FRAUD AND CORRUPTION**
Presentation by Audit and Resources Manager. (Pages 31 - 54)
6. **COUNTER FRAUD AND CORRUPTION - SELF ASSESSMENT ACTION PLAN**
Report of Director of Resources (Pages 55 - 82)
7. **ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**
Members are respectfully requested to give the Chief Executive notice of items they would wish to raise under the heading not later than 12 noon on the day preceding the meeting, in order that consultation may take place with the Chairman who will determine whether the item will be accepted.

B. Allen
Chief Executive

Council Offices
SPENNYMOOR

Councillor D. Chaytor (Chairman)
Councillor J.G. Huntington (Vice Chairman) and

Councillors T. Brimm, C. Nelson, Mrs. C. Potts and B. Stephens

B. Argyle – Independent Member

ACCESS TO INFORMATION

Any person wishing to exercise the right of inspection in relation to this Agenda and associated papers should contact Mrs. Gillian Garrigan Spenny Moor 816166 Ext 4240 ggarrigan@sedgefield.gov.uk

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Item 3

SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Conference Room 1,
Council Offices,
Spennymoor

Monday,
25 June 2007

Time: 6.00 p.m.

Present: Councillor D. Chaytor (Chairman) and

Councillors T. Brimm, J.G. Huntington, C. Nelson, Mrs. C. Potts and
B. Stephens

B. Argyle (Independent Member)

AC.1/07 DECLARATIONS OF INTEREST

Members had no interests to declare.

AC.2/07 MINUTES

The Minutes of the meeting held on 23rd April 2007 were confirmed as a correct record and signed by the Chairman. (For copy see file of Minutes).

AC.3/07 ROLE AND FUNCTION OF THE AUDIT COMMITTEE

Consideration was given to a report of the Director of Resources giving details of the role and function of the Audit Committee, as approved by Council at its meeting on 19th May 2006. (For copy see file of Minutes).

RESOLVED : That the role and function of the Committee as approved by the Council be noted.

AC.4/07 AUDIT AND INSPECTION PLAN 2007/08

Consideration was given to as report setting out the Audit and Inspection work to be undertaken by the Audit Commission during 2007/2008. (For copy see file of Minutes).

Sarah Diggle and Paul Hepple of the Audit Commission were in attendance to present the report.

It was explained that the Plan had been drawn up from a risk-based approach to audit planning and reflected :-

- Audit and inspection work specified by the Audit Commission for 2007/08.
- Current national risks relevant to local circumstances.
- Local risks and improvement priorities.

The report identified the responsibilities of the Audit Commission and provided a summary of inspection activity.

Specific reference was made to the Direction of Travel Assessment. It was explained that although Local Government Review was ongoing, the quality of service provided by Sedgefield Borough Council must be maintained.

It was brought to Members attention that in 2007/08 there would be changes in the Audit Commissions planned work as the Audit Commission was now required to review and report on the Whole of Government Account (WGA) and the National Fraud Initiative.

Specific reference was made to the Audit and Inspection Fee. Concern was expressed that the total indicative fee for Audit and Inspection work included in the Audit and Inspection Plan for 2007/08 was £116,310 compared with the planned fee of £105,000 for 2006/07.

It was explained that the increase in fees was as a result of inflation and the changes to the Audit Commission's planned work. The Audit Commission offered a fee formula which indicated that the fee for Sedgefield Borough Council was 8% below the scale fee.

RESOLVED : That the Audit and Inspection Plan be noted.

AC.5/07

INTERNAL AUDIT SERVICE - ANNUAL REPORT 2006/07

Consideration was given to a report of the Director of Resources regarding the above. (For copy see file of Minutes).

It was explained that the Accounts and Audit Regulations 2003 required the Council to maintain an adequate and effective system of internal audit of accounting records and control systems, as well as imposing the requirement to publish a Statement of Internal Control on an annual basis. Additionally, the statutory duty placed on the Director of Resources, as the responsible financial officer by virtue of Section 151 of the Local Government Act, 1972, for ensuring the proper administration of financial affairs was, in part, achieved by satisfactory performance of the Internal Audit Service.

Members noted that the Audit Plan that had been approved by Overview and Scrutiny Committee 1 at its meeting on 10th April, 2006 had scheduled 915 man days, however, a total of 909 days had actually been achieved.

The report outlined the areas of work that had been covered which included systems and regularity audit, corporate governance, financial management, risk management, data matching and energy management.

- RESOLVED :*
- 1. That the report on the Internal Audit Service in 2006/07 be noted.*
 - 2. That half yearly reports for 200/08 be reported to the appropriate meeting of Audit Committee.*
 - 3. That any relevant audit matters be reported to quarterly meetings of Audit Committee.*

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL AND CORPORATE GOVERNANCE 2006/07

Consideration was given to a report of the Director of Resources regarding the Council's Statement of Internal Control and Corporate Governance. (For copy see file of Minutes).

It was reported that the Account and Audit Regulations 2003 required the Council to ensure that its financial and management arrangements were adequate and effective and that there was a firm system of internal control in place which facilitated the effective exercise of the Council's functions and included arrangements for the management of risk. The regulations also required the Council to conduct a review at least once a year on the effectiveness of its System of Internal Control.

Member's attention was drawn to the Statement on the System of Internal Control and Corporate Governance for the 2006/07 financial year which had been attached at Appendix 1 to the report.

It was explained that in accordance with the Chartered Institute of Public Finance and Accountancy for Local Authorities and Best Practice, the Statement covered the following areas: -

- The scope of responsibility
- The purpose of the system of internal control
- The internal control environment
- Major developmental areas:
 - Performance Management
 - Risk Management
 - A review of the effectiveness of the system of internal control
 - Corporate governance arrangements

In response to a Member's question regarding the procurement of fuel supplies, it was explained that the Council was an Associate Member of the North East Purchasing Organisation (NEPO).

From 1st April 2007 the Council had participated in NEPO's gas contract. This had enabled the Council to benefit from flexible purchasing which reduced purchasing costs. The Council would also participate in NEPO's electricity contract as from 1st October 2007.

- RECOMMENDED :**
1. *That Council approves the Statement of Internal Control and Corporate Governance 2006/07 as detailed at Appendix 1 of the report.*
 2. *That the Chief Executive and Leader of the Council approve and sign the Statement.*
 3. *That the Statement be incorporated into the Statement of Accounts for the 2006/07 financial year.*

AC.7/07**STATEMENT OF ACCOUNTS (FOR YEAR ENDED 31ST MARCH 2007)**

Consideration was given to a report of the Director of Resources regarding the Statement of Accounts for the year ended 31st March 2007 which had been circulated at the meeting. (For copy see file of Minutes).

The report had been prepared to meet the statutory requirements set out in the Accounts and Audit Regulations 2003 for the production and publication of the Council's Annual Statement of Accounts.

It was explained that under the Regulations, the Council was required to approve the Accounts of the authority by no later than 30th June 2007 prior to their publication and the formal signing off by the District Auditor.

Members were given details of the outturn financial position for the two principle revenue accounts that the Council maintained: -

- General Fund
- Housing Revenue Account

Details were also given of how the outturn position had impacted on the levels of the Council's revenue reserves together with the revenue provisions approved by the Director of Resources to be carried forward for use in 2007/2008.

Consideration was also given to a report prepared by the Accountancy Services Manager setting out a number of changes to the form and structure of the Annual Statement of Accounts which applied to the 2006/07 statements and beyond.

The main significant changes set out in the report were as follows: -

- Change in format and structure
- Abolition of capital financing charges
- Replacement of the consolidated revenue account with a new income and expenditure account
- A new statement of movement on the General Fund balance
- Replacement of the Statement of Total Movement in Reserves with a new Statement of Total Recognised Gains and Losses
- Statement of Internal Control

As the Statement of Accounts was a lengthy document it was proposed that detailed consideration of the item be deferred until Friday 29th June 2007 to allow Members time to read the document.

RESOLVED : That detailed consideration of the item be deferred until Friday 29th June 2007 to allow Members time to read the Statement of Accounts 2006/07.

AC.8/07**ANNUAL REVIEW OF TREASURY MANAGEMENT 2006/07**

Consideration was given to the Director of Resources Annual Review of Treasury Management 2006/07, the purpose of which was to review the performance of the Council's Treasury Management activities during

2006/07 financial year. (For copy see file of Minutes).

The Council had maintained the level of debt in line with its capital financing requirement. It had also achieved a satisfactory return on its investments during 2006/07 financial year whilst operating within the approved borrowing limit.

The report confirmed that the Treasury Management activities undertaken during 2006/07 met all of the strategic aims and objectives set by Council.

RESOLVED : That the content of the Annual Review of Treasury Management be noted.

AC.9/07 PROPOSED TRAINING ARRANGEMENTS FOR MEMBERS OF THE COMMITTEE

Consideration was given to a report of the Director of Resources seeking approval to arrange appropriate training for Members of the Audit Committee in conjunction with the Chair and Vice-Chair of the Committee. (For copy see file of Minutes).

It was explained that guidance issued by the Chartered Institute of Public Finance and Accountancy recommended that Members of an Audit Committee should be properly trained to fulfil their role and ensure that the Committee would be fully effective.

It was therefore proposed that officers from the Council and the Audit Commission prepare a training programme for consideration by the Chairman and Vice-Chairman of the Committee taking into account the roles and functions of the Committee.

Member's attention was drawn to a list of potential training areas which was attached at Appendix 1 to the report.

RESOLVED : That appropriate officers of the Council and the Audit Commission arrange for suitable training to be provided in conjunction with the Chair and Vice-Chair of the Committee.

The meeting adjourned at 7.40 p.m.

The meeting re-convened at 9.30 a.m. on 29th June 2007 with the following Members present:

Councillors D. Chaytor, J.G. Huntington, C. Nelson and B. Stephens

AC.10/07 STATEMENT OF ACCOUNTS (FOR YEAR ENDED 31ST MARCH 2007)

Consideration was given to the Statement of Accounts 2006/07, which had previously been circulated. (For copy see file of Minutes).

It was explained that since the circulation of the accounts, the Income

and Expenditure Account had been amended. A copy of the amended Income and Expenditure Account was circulated at the meeting.

It was noted that the changes related to the format of the report and analysis of the figures.

Detailed discussion took place in relation to the Local Government pension deficit. It was explained that measures were already in place designed to improve the situation. These would be reviewed by the Actuary as part of the upcoming tri-annual review. It was also explained these changes were being made by the Government to the scheme to protect future viability.

RECOMMENDED : *That the Council approves the Statement of Accounts for year ended 31st March 2007.*

ACCESS TO INFORMATION

Any person wishing to exercise the right of inspection, etc., in relation to these Minutes and associated papers should contact Mrs. Lynsey Walker Spennymoor 816166 Ext 4237 lwalker@sedgefield.gov.uk

SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Conference Room 1,
Council Offices,
Spennymoor

Friday,
28 September 2007

Time: 9.00 a.m.

Present: Councillor D. Chaytor (Chairman) and
Councillors J.G. Huntington, Mrs. C. Potts and B. Stephens

Apologies: Councillors T. Brimm and C. Nelson

AC.11/07 DECLARATIONS OF INTEREST
Members had no interests to declare.

AC.12/07 STATEMENT OF ACCOUNTS (FOR YEAR ENDED 31ST MARCH 2007)

The Committee considered a report regarding the draft Annual Governance Report and the final Accounts Memo produced by the Audit Commission following its audit of the 2006/07 Statement of Accounts. (For copy see file of Minutes).

Paul Heppell, Audit Commission was in attendance to present the report.

The Committee's attention was drawn to the three key messages detailed on page 5 of the Annual Governance Report.

It was noted that an unqualified audit opinion would be issued. A copy of the draft report was set out in Appendix 4. There were no material changes required to the Statement of Accounts, however, there were some non-material amendments, which needed to be approved by Council, although they had no impact on the financial standing of the authority. Details of the adjustments were outlined at the meeting.

It was reported that the Audit Commission's work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources was also now complete and an unqualified conclusion on the use of resources would be issued.

It was also pointed out that it was the Audit Commission's view that the Statement on Internal Control had been prepared in accordance with proper practice specified by CIPFA and was consistent with the findings of its audit.

RESOLVED : That the Statement of Accounts for year ended 31st March 2007, as amended, be recommended to Council for approval.

ACCESS TO INFORMATION

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Item 4

AUDIT COMMITTEE

5 November 2007

REPORT OF DIRECTOR OF RESOURCES

Portfolio: STRATEGIC LEADERSHIP

INTERNAL AUDIT SERVICE – REPORT FOR HALF YEAR ENDED 30 SEPTEMBER 2007

1. SUMMARY

- 1.1 The Internal Audit Plan for 2007/08 year was considered and approved by the Audit Committee on 23 April 2007 ((Minute ref: AC.32/06). This report deals with the first six months of audit activities, including the progress against the planned work and information on related areas of corporate governance.

2. RECOMMENDATIONS

It is recommended that:

- 2.1 The half-yearly progress report is received.
- 2.2 A full year report be considered at the appropriate future meeting of this Committee.

3. AUDIT ACTIVITY 1 APRIL TO 30 SEPTEMBER 2007

- 3.1 The approved Audit Plan for 2007/08 scheduled a total of 911 man-days for the full year, with a first half-year performance of 431 days. A summary of the audit work carried out during the first half of the year is shown in the attached appendix and shows that a total of 377.5 days were achieved. The reason for the slight shortfall in Audit days is that the section has been operating with a staff vacancy during the year.
- 3.2 Highlighted below are some of the major areas of work undertaken, together with commentary on the key audit / control issues affecting the Council, which will require the continuing involvement of the Internal Audit staff.

3.3 Regularity Audit

- 3.3.1 The programme of regularity audit for the half-year, which forms the core of the Audit plan has been substantially completed. Those areas not finalised in the first half of the year included Contract Management & Monitoring and Housing Maintenance. It was decided to delay this review until decisions regarding future housing procurement options had been finalised. It is expected that these areas will be progressed shortly.
- 3.3.2 There were 37 formal audit reports issued during the period with 15 confirming that there were satisfactory arrangements in place.
- 3.3.3 Within the 22 reports issued where recommendations had been made there were a total of 32 classified as being of 'high importance', and 6 of 'medium' importance.
- 3.3.4 All recommendations were made following detailed discussions and with the agreement of the appropriate service managers.
- 3.3.5 Details are shown in the appendix which provides a brief summary of matters identified as part of the work undertaken by the Internal Audit team. These items are intended to give a flavour of the wide range of activities covered by the Audit team and the matters that may arise from the work performed. Members will note that the appendix shows that positive progress has been made in the resolution of the matters highlighted.

3.4 Corporate Governance

- 3.4.1 The Council continues to have strong governance arrangements which are constantly under review to ensure continuing relevance. Areas such as risk management, internal control arrangements, Constitution rules and performance management are key to the Council's operations and efforts continue to be made around the Council to ensure the highest possible standards are achieved.
- 3.4.2 Revised Contract Procedure Rules have been formally adopted by the Council at its meeting in July 2007 (Minute ref: C.42/07). Compliance with the revised rules is a necessary feature of good governance arrangements and audit work will be scheduled to ensure that the Council operates within the requirements of the new Contract Procedure Rules.
- 3.4.3 Recent guidance has been issued by CIPFA / SOLACE regarding recommended best practice on governance in Local Government. The content of this new guidance is currently being examined with a view to revising, if necessary, the Council's Local Code of Corporate to reasonably reflect best practice.

3.5 Financial Management Information

- 3.5.1 This major system continues to be developed and enhanced to provide high quality and timely budgetary information to all managers.

3.6 Risk Management

- 3.6.1 Internal Audit continued its close involvement in the development of the Council's approach to risk management. Efforts to embed risk management into the Council's processes have continued and the both Strategic and Operational Risk Management Groups continue to develop a wide range of issues. Risk is also a key feature of individual audits undertaken by the Audit team.
- 3.6.2 A review of the Council's Risk Management Policy and Strategy Statement has been undertaken by the Risk Management Group and these documents have been amended to take into account changes in the Council's corporate aims as well as a number of other amendments arising from the progress report previously considered by this Committee. Cabinet approved the revised Statement at its meeting on 26 April 2007.
- 3.6.3 Development work across all departments continues in relation to the major strategic risks affecting the Council. The risks initially identified have recently been re-focused to take into account the proposed structural changes associated with Local Government Review.
- 3.6.4 Risk assessment is carried out annually and facilitates the prioritising of audit work and targeting of resources where necessary. These risk areas will change in priority as services and circumstances themselves change; hence it is important to ensure that they are assessed at least annually. The risk assessment (noted in Appendix 1) does not include the main financial systems ; this is because the service has a commitment to ensure that all of these systems are audited on an annual basis without exception.

3.7 Statement on the Statement of Internal Control (SIC) and Corporate Governance

- 3.7.1 The Accounts and Audit Regulations 2003 introduced the requirement for a formal Statement on the system of Internal Control to be produced by the Council. The SIC for 2006/07 was considered by this Committee on 25 June 2007 (Minute ref: AC.6/07). Members will recall that the SIC was generally positive with updates provided on what progress had been made in dealing with issues raised in previous years. Audit work on the SIC is now concluded for 2006/07 and an unqualified opinion has been issued by the External Auditor.

- 3.7.2 So far as new issues are concerned, the SIC identified the importance of ensuring that effective energy monitoring arrangements are in place to ensure that consumption is reduced where possible. Development of the important features of SIC will continue through 2007/08 to ensure a satisfactory position is attained in respect of all aspects of the Council's control arrangements.

3.8 Energy Management

- 3.8.1 The Council's energy contracting arrangements are now consolidated via the North East Purchasing Organisation (NEPO), ensuring that value for money continues to be realised from the sophisticated energy marketplace. Whilst the contracting position is effectively resolved, the need for an increasingly efficient energy management function remains crucial.

4. STAFFING

- 4.1 The Audit plan for 2007/08 allows for 5.5 persons to deliver the work contained in the plan.
- 4.2 Following the Council's approval of the flexible retirement application from the Audit Manager, a review of the Financial Services division took place. The previous Audit Manager now occupies a part time post of Risk & Governance Manager, with the previous position of Policy and Finance Manager being redesignated as the Audit & Resources Manager and taking day to day management and responsibility for the Audit team.
- 4.3 The Audit team itself has been strengthened with the addition of a second Principal Auditor post, which has now been filled, to bring additional experience and skills; with a corresponding reduction in the number of Trainee Auditor posts from 4 to 3.
- 4.4 The Audit team is currently operating with a vacancy at the Trainee Auditor level and a second trainee has recently secured a job at a neighbouring authority and is due to leave at the end of November 2007. The staffing arrangements are currently being reviewed to ensure that the Internal Audit function continues to maintain the standard of service and that appropriate staffing is in place to carry out the work contained in the Audit Plan.

5. RESOURCE IMPLICATIONS

- 5.1 Whilst this report has no direct implications for resources, the Plan work undertaken could lead to additional costs or savings in relation to service provision.

6. CONSULTATION

- 6.1 The Audit Plan has been prepared and delivered following consultation with Managers around the Council.

7. OTHER MATERIAL CONSIDERATIONS:

7.1 Links to Corporate Objectives / Values

- 7.1.1 The Internal Audit activity effectively supports all services in the delivery of the Council's priorities, together with the re-enforcement of the need for accountability for public finances.

7.2 Risk Management

- 7.2.1 Much of the work undertaken by Internal Audit relates to minimizing the risk to the Council of major system problems and failure of the internal control arrangements. Activity is directed toward providing assurances on the control environment and thereby highlighting any risk issues capable of causing damage to the Council.

- 7.2.2 Audit efforts to embed good risk management practices around the Council will continue to form a significant element of work undertaken. Of course, the full co-operation of management across the Council is essential to the maintenance of good quality governance, including risk management.

7.3 Equality and Diversity

- 7.3.1 No material considerations have been identified.

7.4 Legal and Constitutional

- 7.4.1 The Audit Plan activity recognizes the statutory framework associated with services, the corporate governance framework, as well as the Council's constitutional arrangements.

7.5 Other Material Considerations

- 7.5.1 Issues associated with procurement and efficiency are addressed within a wide range of audit activities.

8. LIST OF APPENDICES

- 8.1 Internal Audit Plan Mandays – April to September 2007

Contact Officer: Azhar Rafiq, Audit & Resources Manager
Telephone number: 01388 816166 ext 4352
Email address: arafiq@sedgefield.gov.uk

Wards: Not ward specific
Key decision validation: Not applicable

Background Papers:

1. Audit Committee, Internal Audit Plan for 2007/08, 26 April 2007
2. Audit Committee, Statement on the System of Internal Control and Corporate Governance, 21 June 2007

Examination by Statutory Officers

- | | Yes | Not Applicable |
|--|-------------------------------------|--------------------------|
| 1. The report has been examined by the Council's Head of the Paid Service or his representative. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The content has been examined by the Council's S.151 Officer or his representative. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. The content has been examined by the Council's Monitoring Officer or his representative. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. The report has been approved by Management Team. | <input type="checkbox"/> | <input type="checkbox"/> |

Summary of Audit Work April – September 2007

Chief Executives Department

Analysis of Mandays

Regularity & Systems Audits

Human Resources System	7.25
Civic Cars	2.25
Training and Employment Services	9.25
Local Land Searches	<u>4.50</u>
	<u>23.25</u>

Economic Development

Business Centres	1.50
Industrial Estates	2.00
Industrial Promotions	0.50
Regeneration Initiatives	1.75
Enterprise Investment Scheme	<u>10.50</u>
	<u>16.25</u>

TOTAL **39.50**

Formal Reports Issued

Civic Cars
Industrial Promotions
Training and Employment Services
Local Land Searches
Enterprise Investment Scheme

Recommendations

None
Yes
Yes
None
None

Risk Assessment

Low / medium
N/A
Low / medium
Low / medium
N/A

Summary of Audit Work April – September 2007

Chief Executives Department – Issues Reviewed

1 Civic Cars

- The review examined systems of control relating to Civic Cars.
- Information in the Chauffeurs Log Book was satisfactory.
- Fuel usage for the Volvo and Mercedes was broadly consistent with the previous year.
- A sample of Civic Car journeys confirmed that no corresponding mileage claims had been made by Members.

2 Industrial Promotions

- The purpose was to review the financial activity during the year.
- There was a slight under spend against budget in 2006/07 and the budget for 2007/08 was reduced by 51% to £31k.

3 Training & Employment Services

- The systems of control in relation to contracts, budgets and inventories were examined.
- Supporting and monitoring evidence was verified to amounts claimed.
- The budget was being effectively monitored by the section.
- It was agreed that the inventory will be reviewed within the next 3 months.

4 Local Land Searches

- The review involved examining the systems of control for land searches.
- Payments were verified as received and recorded appropriately.
- The Durham County Council invoice was accurately calculated and paid.
- The performance targets for the service were being achieved.

5 Enterprise Investment Scheme

- The audit involved examining systems of control in respect of the scheme.
- Payments were agreed to control records, bank statements and the General Ledger.
- Grants are awarded in line with approved regulations and are promptly paid over.

Summary of Audit Work April – September 2007

Housing Services

Analysis of Mandays

Property Services

Central Heating Contract	2.00
Contractors' Final Accounts	9.25
Fire & Security Alarms Contract	<u>0.25</u>
	<u>11.50</u>

Management & Rents

Disturbance & Redecoration Allowances	3.50
Housing Management	20.00
Portable Data Capture System	<u>2.00</u>
	<u>25.50</u>

TOTAL **37.00**

Formal Reports Issued

	Recommendations	Risk Assessment
Housing Management	Yes	N/A
Voids Management	None	N/A
Portable Data Capture System	None	Medium
Decoration Vouchers & Disturbance Allowances	None	Medium
Housing Rechargeable Repairs	Yes	Medium
Contractors Final Accounts	None	N/A

Summary of Audit Work April – September 2007

Housing Services – Issues Reviewed

1 Housing Management

- Controls in respect of rent collection and tenant arrears were assessed during this review.
- Current and Former Tenant Arrears policies are available to all staff and are being updated.
- The Rent Recovery and Rent Accounting services are presently analysing collection.
- Performance Indicators are being monitored and met.

2 Voids Management

- Systems in place to control void management and reconciliation were examined during the review.
- There are procedures in place for managing and monitoring void properties, verifiable to the management of individual properties and tenancies.
- Housing is actively managing and monitoring void properties in accordance with the appropriate regulations and policies.
- Weekly / monthly monitoring reports are produced and forwarded to responsible officers.
- It was noted that Housing are performing well against established targets.

3 Portable Data Capture System

- Controls were examined to ensure income is collected / banked correctly and accounts are updated correctly and in a timely manner.
- No errors were identified and tenants' accounts were updated appropriately.
- Recording of over and under banking is up to date and suspense accounts are reviewed regularly.

4 Decoration Vouchers & Disturbance Allowances

- Controls were examined in respect of stocks of SBC and B&Q vouchers and the timeliness / frequency of redemption.
- Vouchers are held securely and verifiable to the General Ledger.
- The Housing department held appropriate documentation to support vouchers issued.

5 Housing Rechargeable Repairs

- Control systems in place were examined during the review.
- The average number of days from assessment / completion to raise an invoice has not changed significantly since the previous review.
- Following implementation of a new Recharge Policy and Procedure invoices raised had increased.
- Some debtors have defaulted on their agreed payment plans and arrears have increased.
- It is noted that tenants have queried whether jobs are rechargeable and have refused to pay.

6 Contractors Final Accounts

- Examination was carried out in respect of the contractor's final statement of account and working papers for 13 schemes.
- There were no errors identified in respect of the contracts reviewed.

Summary of Audit Work April – September 2007

Leisure Services

Analysis of Mandays

Leisure Centres & Pools

Ferryhill Leisure Centre	7.00
Spennymoor Leisure Centre	9.75
Sildon Sunnydale Leisure Centre	6.50
Fishburn Swimming Pool	4.00
Fitness Suites	5.25
Bars & Catering	<u>3.25</u>
	<u>35.75</u>

Other Leisure Activities

Cyber Cafes	5.25
Gaming Contracts	3.50
Green Lane Catering	2.75
Leisure Partnerships	1.50
Playleadership Schemes	0.25
Torex System	<u>0.25</u>
	<u>13.50</u>

TOTAL **49.25**

Formal Reports Issued

	Recommendations	Risk Assessment
Green Lane Canteen	Yes	Medium
Fishburn Swimming Pool	None	Low / medium
Gaming Machines Contracts	None	Low / medium
Sildon Sunnydale Leisure Centre	Yes	Medium
Leisure Centre Bars	Yes	N/A
Spennymoor Leisure Centre	Yes	Medium / high
Ferryhill Leisure Centre	Yes	Medium

Summary of Audit Work April – September 2007

Leisure Services – Issues Reviewed

1 Green Lane Canteen

- Controls systems at the canteen were reviewed.
- Stock checks are undertaken monthly and income is collected and banked daily.
- It was noted that there is still some obsolete equipment in use in the canteen.

2 Fishburn Swimming Pool

- The review assessed the operation of the pool to test key controls to assess how these pool fits into the overall business plan and assess their performance against other pools operated by SBC.
- The system of receipting income was working satisfactorily.
- It was noted that the level of security is low – the main entrance opens directly to the access to changing rooms and there are no lockers available.

3 Gaming Machines Contracts

- The main contract for gaming machines is with Northumbrian Leisure. Machines are provided on a rental basis, with income retained by the Council.
- A spreadsheet is maintained producing details on the year's income and rental charges.
- It was noted that income has decreased due to lack of interest and a decrease in people using the bars where the machines are held.

4 Shildon Sunnydale Leisure Centre

- Review objectives were to ensure that systems in place to control income, expenditure, stock and cash held on site are adequate and adhered to.
- Cash floats were examined and found to be in order.
- Income reconciliation was found to be appropriate although further training is needed on the Torex leisure management system.
- It was noted that lost property is not signed for when collected.
- Cleaning material stock records were not up to date at the time of the review.

5 Leisure Centre Bars

- This review involved examining systems of control for trading performance, reconciliation of income and allowances.
- Trading reports to 31 May 2007 showed Ferryhill, Newton Aycliffe and Spennymoor are operating at a satisfactory level while Shildon is under performing slightly. The position to the end of September has not changed.
- The timeliness at which reconciliations was carried out between bar income sheets, stock-takers reports and the General Ledger is to be improved

6 Spennymoor Leisure Centre

- The objectives of the review were to ensure that systems in place to control income, expenditure, stock and cash held on site are adequate and adhered to.
- Following Torex system downtime, it was noted that all transactions are not input immediately once it is back in operation.
- The inventory was not available during the audit.
- Cash handling, banking and key control procedures were to be issued to all staff to ensure consistency of treatment.

Summary of Audit Work April – September 2007

7 Ferryhill Leisure Centre

- The purpose of the review was to ensure that the systems in place to control income, expenditure, stock and cash held on site are adequate and adhered to.
- The inventory should be recorded in paper form (i.e. a hard backed book), and be stored securely to ensure items cannot be removed without trace.
- It was noted that staff should ensure that records of stock and stock movements are kept up to date.

Summary of Audit Work April – September 2007

Neighbourhood Services

Analysis of Mandays

Regularity & Systems Audits

Building Regulations & Planning Fees	0.50
Carelink	0.50
CCTV	0.25
Community Telemedicine	0.25
Concessionary Fares	4.25
Concessionary TV Licences	4.00
Drain Rodding	0.25
Home Improvement Agency	1.00
Homelessness	7.50
Horticulture	0.75
Licensing	2.25
Shop Improvement Grants	3.50
Supporting People Programme	6.00
Vehicle Maintenance Operation	<u>7.25</u>
TOTAL	<u>38.25</u>

Formal Reports Issued

Formal Reports Issued	Recommendations	Risk Assessment
Homelessness Service	Yes	Medium
Vehicle Maintenance Operation	Yes	Medium
Home Improvement Agency	Yes	Medium / high
Shop Improvement Grants	Yes	N/A
Concessionary TV Licences	Yes	Medium
Concessionary Bus Passes	None	Medium

Summary of Audit Work April – September 2007

Neighbourhood Services – Issues Reviewed

1 Homelessness Service

- Internal Audit examined the controls in place in respect of the service.
- It was noted that comprehensive income records had not been maintained at all times and staff are to ensure that records are to be completed in a timely manner.
- It was agreed that a collection sheet detailing rent owed and paid, adjusted for housing benefit received and arrears carried forward should be maintained.
- The security of energy cards held in Green Lane needed to be re-examined.
- A full set of procedure notes for the section had not yet been completed.

2 Vehicle Maintenance Operation

- Issues address systems of control in place at the Vehicle Maintenance Operation at Chilton Depot.
- There is a just in time stock ordering system in operation and a stock take identified no discrepancies.
- MOT and vehicle registration documentation was examined and found to be appropriate.
- Staff were reminded that recharges for Hackney Carriage tests should be completed regularly.

3 Home Improvement Agency

- The review looked at records and documentation on file to support claims made and ensure they are being processed in accordance with regulations.
- Grants had been paid for the correct amount and authorised.
- Necessary monitoring and recovery action is being undertaken in respect of the group repair scheme

4 Shop Improvement Grants

- The review looked at controls in relation to applications and funding.
- The Spennymoor Scheme is on going and no business in receipt of a grant had been sold within the claw-back period.

5 Concessionary TV Licences

- Systems of control in respect of the main issue of Television Licences were examined.
- Staff were reminded that the issue dates for licences should be noted.
- The contributions received by the Service were verified to the General Ledger and a number of minor differences were to be investigated.
- Staff were reminded of the importance of ensuring the accuracy of information submitted to the Concessionary Licensing Centre.

6 Concessionary Bus Passes

- The review involved examining the systems of control in respect of passes issued and blank bus passes, Durham County Council (DCC) invoices and budgetary analysis.
- A new scheme was introduced April 2006 and passes had been re-issued appropriately.
- Blank bus passes are held in the Neighbourhood Services department and at reception.
- DCC administers the scheme, and district councils are responsible for issuing passes. Invoices were reviewed, details checked and payments totalling £1.2m were found to be correct.

Summary of Audit Work April – September 2007

Resources

Analysis of Mandays

Income Audits

Cash Office - Green Lane	5.75
Cash Office - Ferry Hill	4.75
Cash Office - Newton Aycliffe	1.50
Emergency Receipts	2.00
Postal Remittances	<u>3.75</u>
	<u>17.75</u>

General Audits

Bailiff / Debt Collection Services	6.00
Capital Receipts & Accounting	2.00
Car Leasing & Loans	2.25
Charges for Services	2.00
Council Tax Administration	0.25
Financial Checks	5.25
Imprests & Floats	2.75
IT - Procurement	5.50
IT - Mobile Phones	7.25
Parish Recharges	3.50
VAT	<u>3.00</u>
	<u>39.75</u>

Systems Audits

Information Technology

IT Audit – General	<u>2.00</u>
	<u>2.00</u>

Accounts Payable

Emergency Cheques	5.00
System Work	1.25

Payroll: System Review and Tests 5.25

NNDR: System Review and Tests 17.25

Council Tax: System Review and Tests 6.00

Housing Benefit: System Review and Tests 6.50

TOTAL **100.75**

Summary of Audit Work April – September 2007

Formal Reports Issued	Recommendations	Risk Assessment
Capital Accounting System	Yes	N/A
Car Leasing Scheme	None	Low / medium
Emergency Cheques	None	Low / medium
Value Added Tax	Yes	Medium
Green Lane Cashiers Office	No	Medium
Mobile Phones	Yes	Low / medium
ICT Procurement	Yes	Low / medium
Postal Remittances	Yes	Low / medium
Bailiff / Debt Collection Services	Yes	Low / medium
Emergency Receipts System	None	Low / medium
Accounts Payable – Duplicate Payments	None	N/A
Imprests & Floats	Yes	Low / medium
Ferryhill Cash Office	None	Medium
Parish Recharges	None	Low / medium

Summary of Audit Work April – September 2007

Resources – Issues Reviewed

1 Capital Accounting System

- Capital accounting system controls were examined.
- The main procedures and processes are being documented.
- Capital Receipts balances could be verified to the General Ledger.
- The Accountancy section monitor Capital Payments and Receipts claims and supporting documentation and support the Valuation & Corporate Property in managing the assets of the Council.
- It is expected that during 2007/08 the Capital Asset Register and the Asset Management System will be superseded by one system managed by the Valuation & Corporate Property.

2 Car Leasing Scheme

- Documentation was examined to assess the controls in place for the Car Leasing Scheme.
- Monthly reconciliations were obtained and found to be up to date and accurate
- Performance Indicators were met.

3 Emergency Cheques

- Control systems were examined in respect of requisitioning, issuing, cancelling and posting such cheques.
- Payments were authorised and appropriately coded and supporting documentation was held.
- The use of emergency cheques has declined significantly over the period reviewed.

4 Value Added Tax

- Controls in relation to VAT were assessed during the review.
- VAT returns held supporting documents and invoices were coded appropriately with all creditors sampled having a valid registration number.
- At present the de minimums level is being recalculated and monitored.

5 Green Lane Cash Office

- Controls in place at the Green Lane Cash Office were examined.
- Cash on site was reconciled to the float amount and security of cash was appropriate.
- Collections and banking entries were verified and reconciled to date.
- Cash income has decreased over the last five years and was attributed to the increased use of alternative payment methods.
- Performance indicators are reported to management monthly.

Summary of Audit Work April – September 2007

6 Mobile Phones

- Controls in respect of contract arrangements and mobile phone use were assessed.
- The Policy for Provision of Mobile Communication Equipment has recently been approved.
- Officers are given a copy of the invoice to check for their personal calls and a payment is made at the cash desk although there is no agreed procedure to record and identify payments for personal calls.
- Analysis of the raw data supplied by the ICT Section highlighted the use of mobile phones abroad and some calls and texts to premium rate lines.

7 ICT Procurement

- Controls around ICT procurement were examined during the review.
- A major component of the capital programme for 2006/07 and 2007/08 years was the PC Replacement Scheme.
- Appropriate procurement arrangements need to be followed.
- There has been an increase in the level of spend on Application Software and ICT year on year.

8 Postal Remittances

- Systems for the receipt and banking of cash and other payments received through the post, and the posting of income to customers' accounts and the General Ledger were examined.
- The Chief Executive and Resources departments have performance indicators although other departments do not.

9 Bailiff / Debt Collection Services

- Controls were addressed for services received from 3 providers, returned cases and Bailiff use in respect of Former Tenant Arrears.
- The Senior Business Rates Officer is updating systems notes.
- Examination of postings and charges levied showed no discrepancies with payments from providers.

10 Emergency Receipts System

- The review examined systems of control in relation to collections, NNDR, Council Tax and other cash offices.
- Where emergency receipts had been used they were appropriately agreed to Green Lane Cashiers' receipts and individual systems.

11 Accounts Payable – Duplicate Payments

- The review involved using IDEA audit software to interrogate all data records extracted from the Accounts Payable System between November 2006 and 5 July 2007.
- Areas of investigation included duplicate creditor and invoice references and amounts to highlight duplicate payments and assess the reasons, eg two-part payments, cancellations, etc.

Summary of Audit Work April – September 2007**12 Imprests & Floats**

- Controls relating to floats, reconciliations and year-end final accounts certifications were examined.
- New and increased float balances requested and authorised and were agreed to the General Ledger and temporary floats are reconciled quarterly.
- Year-end certifications and reconciliation was checked and procedures were confirmed with Accountancy.
- A certificate had not been produced for the Locomotion Catering float although this has since been resolved.

13 Ferryhill Cash Office

- The audit examined systems of control for cash floats, collections and banking, security and emergency receipts.
- Floats and cash receipts were verified to the General Ledger and petty cash was used for valid purchases.
- Income was up to date and a reconciliation spreadsheet is maintained by the Collections section.

14 Parish Recharges

- The review examined systems of control for parish recharges, playground maintenance and stock control.
- Recharges for 2006/07 reflected the full cost of providing the service based on time spent on weekly playground maintenance inspections.

Summary of Audit Work April – September 2007

Summary of Mandays

Audit Policy & Management

Chargeable Management Time

Audit Management & Supervision	3.25
Audit Planning and Administration	20.00
Development & Awareness (research, etc)	36.50
Other Chargeable	<u>1.50</u>
	<u>61.25</u>

Non - Chargeable Management Time

Time Management System	10.00
Training In - House	8.50
Manager & Other Staff Meetings	8.00
Audit Sub - Groups	<u>1.25</u>
	<u>27.75</u>

Total **89.00**

Corporate Studies & Projects

Corporate Governance	2.50
Energy Management	10.75
KLOE - Use of Resources	0.25
NFI Data Matching Exercise	1.00
Risk Management	4.75
Statement of Internal Control	<u>4.50</u>
Total	<u>23.75</u>

AUDIT MANDAYS TOTAL

Chief Executive	39.50
Housing Services	37.00
Leisure Services	49.25
Neighbourhood Services	38.25
Resources Department	100.75
Audit Policy & Management	89.00
Corporate Studies & Projects	<u>23.75</u>
<u>TOTAL</u>	<u>377.50</u>

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Counter Fraud and Corruption

Audit Committee

5th November 2007



Fraud and Corruption

- Definition
- Who Commits Fraud
- Responsibility for Managing Fraud
- Management Controls
- Role of Internal Audit
- Managing the Risk of Fraud

Definitions

- **FRAUD**

"the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

- **CORRUPTION**

"the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person"

Impact of Fraud

- Financial loss
- Damaged reputation
- Loss of public trust
- Disruption to service
- Loss of morale/motivation
- Loss of confidence in management
- Investigation costs
- Diversion of management time

Who commits Fraud?

- Employees
- Competitors
- Suppliers
- Professional criminals
- Business partners
- Customers

Who Commits Fraud?

KPMG review of 100 frauds revealed:

- Directors and senior managers commit almost 2/3 of all frauds
- 50% discovered by whistle blowing
- 51% had two to five conspirators
- 70% of fraudsters employed for over 2 years
- 42% work in Finance

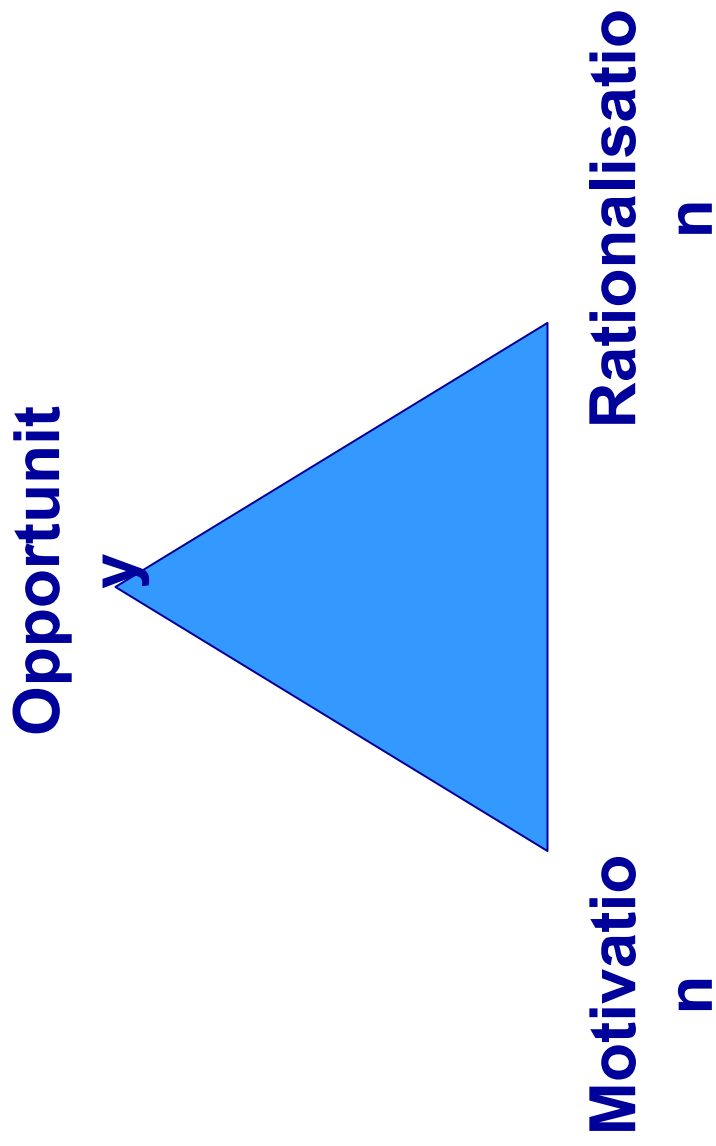
Common examples of public sector fraud

- Corruption
- Contractors/suppliers invoicing for goods/services not ordered or provided
- Misdirection/misuse of funds
- Falsifying information on job applications
- Staff working elsewhere when on sick leave
- Falsification of timesheets/mileage claims
- Benefit Fraud

Conditions for Fraud to exist

- Lack of effective internal controls
- Failure of management information systems
- Undocumented procedures
- General laxity by management/employees
- Fraud Triangle
 - Opportunity
 - Motivation
 - Rationalisation

Fraud Triangle – what drives fraud?



Fraud Triangle - Motivation

- Revenge
- Debts
- Addiction – drink, drugs
- Coercion or blackmail
- Results at any costs
- Family pressures
- Illness
- “I need the money”

Fraud Triangle - Opportunity

- Poor controls
- Exploiting errors
- Lack of segregation of duties
- Poor corporate governance
- Hidden in complex transactions
- Abuse of authority
- Lack of effective oversight

Fraud Triangle - Rationalisation

- “they do not pay me enough!”
- “Everyone else does it”
- “Rules are made to be broken”
- “It’s only a small amount”
- “It’s a victimless crime”
- “They can afford it”
- “I’ll never get caught”

Relevant Legislation

- Fraud Act 2006
- Theft Acts 1968 and 1978
- Public Interest Disclosure Act 1998
- Data Protection Act 1998
- Police and Criminal Evidence Act 1984
- Regulation of Investigative Powers Act 2000
- Human Rights Act 1998

Responsibility for Fraud

Auditing Practices Board's *Guidance for Internal Auditors* states:

"It is a management responsibility to maintain the internal control system and to ensure that the organisation's resources are properly applied in the manner and on the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts."

Key Management Controls

- Financial Regulations
- Contract Procedure Rules
- Code of Conduct – members/officers
- Whistleblowing Policy
- Counter Fraud and Corruption Strategy
- Register of Interests/Gifts/Hospitality
- Local Code of Corporate Governance

Management Controls

Segregation of duties
Organisaton
Authorisation
Personnel
Supervisory
Physical
Access
Management

Role of Internal Audit

- Planned work undertaken following risk based assessment including:
 - Budgetary control
 - Value of system
 - Satisfaction with system controls
 - Historic problems
 - Changes in service
 - Public sensitivity
- Proactive fraud work including NFI
- Co-ordination of counter fraud strategy
- Receiving and investigating allegations of fraud

Managing the Risk of Fraud

- CIPFA issued '*Managing the Risk of Fraud*' in 2006
- Describes what action is needed for an organisation to be effective in countering fraud and corruption

Managing the Risk of Fraud

- 1. Strategic approach**
- 2. Identifying risks**
 - Measuring fraud and corruption losses
- 3. Strong anti-fraud and corruption culture**
 - Authority
 - Training
 - Propriety checks
 - Relationships with other organisations
- 4. Taking action to tackle problem**
 - Culture
 - Deterrence
 - Prevention
 - Detection
 - Investigation
 - Sanctions
 - Redress
- 5. Defining Success**

Managing the Risk of Fraud

- The creation of an **ANTI-FRAUD** culture.
- Maximum **DETERRENCE** of fraud.
- Successful **PREVENTION** of fraud which cannot be deterred.
- Prompt **DETECTION** of fraud which cannot be prevented.
- Professional **INVESTIGATION** of detected fraud.
- The application of effective **SANCTIONS**, including appropriate legal action against people committing fraud.
- Effective methods for seeking **REDRESS** in respect of monies defrauded.

Way Forward

- Self assessment against CIPFA Guidance completed
- Generally perform well against the guidance
- 56 questions in total over the 5 sections
- 8 action points identified

Way Forward

- 1.1 Existing anti-fraud and corruption policy and fraud response plan needs updating
- 1.2 Include remit to reduce losses
- 1.3 Link strategy to operational work
- 2.2 Clarification of nature and scale of losses to fraud and corruption
- 3.1 Link service based strategies to corporate fraud and corruption strategy
- 3.8 Propriety checking under review and to be completed shortly
- 4.5 Assessing extent of anti fraud culture
- 4.29 Clear policy on redress of losses

Use of Resources Assessment – Level 4 Criteria

- The council can demonstrate that its members and staff exhibit high standards of personal conduct.
- The council can demonstrate a strong counter fraud culture across all departments. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption.
- The risk of fraud and corruption is specifically considered in the council's overall risk management process.
- The use of publicity in successful cases of proven fraud/corruption is routinely considered to raise awareness.
- The council has a track record for effective action in response to whistleblowing disclosures. There are periodic reviews of the effectiveness of the whistleblowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public.
- The council can demonstrate that effective action has been taken to maximise the potential savings available through NFI.

Counter Fraud and Corruption

Audit Committee

5th November 2007



Item 6

AUDIT COMMITTEE

5 November 2007

REPORT OF DIRECTOR OF RESOURCES

Portfolio: STRATEGIC LEADERSHIP

COUNTER FRAUD & CORRUPTION – SELF ASSESSMENT AND ACTION PLAN

1. SUMMARY

- 1.1 Action to counter fraud and corruption is an important area of work at Sedgefield Borough Council and efforts to improve our performance in this area are always actively considered. CIPFA have recently issued a document entitled 'Managing the risk of fraud' which contains guidance on dealing with fraud and corruption at a strategic level and consequently a self assessment ('Actions to Counter Fraud & Corruption') has been undertaken to determine whether the Council fully meets the recommended standards.

2. RECOMMENDATIONS

It is recommended that:

- 2.1 Members note the proposals to take forward the results of a self assessment against CIPFA's checklist on dealing with fraud and corruption at a strategic level.
- 2.2 A further report is considered by this committee detailing progress made at an appropriate time in the future.

3. COUNTER FRAUD AND CORRUPTION

- 3.1 The Council first developed a counter fraud and corruption strategy in December 2001 which detailed the importance the Council places on probity, financial control and honest administration.
- 3.2 It is important that existing strategies and plans are regularly reviewed to ensure their continuing relevance to the organisation. The publication of new guidance by CIPFA 'Managing the risk of fraud' has prompted a review of our current fraud and corruption strategy against the latest best practice guidelines contained in the aforementioned document.

3.3 Internal Audit has conducted a self assessment against CIPFA's guidance and details of this assessment are contained in Appendix 1.

3.4 The guidance covers a broad range of activities including:

Section 1: Adopting the right strategy – key elements of a strategic approach

Section 2: Accurately identifying the risks – measuring fraud and corruption issues

Section 3: Creating and maintaining a strong structure – having the necessary authority and support

Section 4: Taking action to tackle the problem – taking the full range of actions and integrating different strands.

Section 5: Focusing on outcomes and not merely activity.

4. RESOURCE IMPLICATIONS

4.1 Whilst this report has no direct implications for resources, any future proposals which impact on fraud and corruption work undertaken could lead to financial implications.

5. CONSULTATION

5.1 There are no immediate consultation issues arising from the contents of this report.

6. OTHER MATERIAL CONSIDERATIONS:

6.1 Links to Corporate Objectives / Values

In administering its responsibilities, Sedgefield Borough Council is fully committed to the prevention of fraud and corruption. This links directly with the Council's aim of being responsible with and accountable for public finances.

6.2 Risk Management

Failure to adequately deal with fraud and corruption issues leads to high risk of financial impropriety and reputation loss to the Council. The need to protect the public purse must continue to be a high priority.

6.3 Equality and Diversity

No material considerations have been identified.

6.4 **Legal and Constitutional**

It is essential that constitutional and corporate governance framework support counter fraud and corruption work.

6.5 **Other Material Considerations**

None.

7. **LIST OF APPENDICES**

7.1 Counter Fraud Action Plan

Contact Officer: Harold Moses, Head of Financial Services
Telephone number: 01388 816166 ext 4385
Email address: hmoses@sedgefield.gov.uk

Wards: Not ward specific
Key decision validation: Not applicable

Background Papers:

1. Counter-Fraud and Corruption Strategy
2. Theft Fraud and Corruption Response Plan
3. CIPFA 'Managing the risk of fraud, actions to counter fraud and corruption'

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative.	<input type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative.	<input type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team.	<input type="checkbox"/>	<input type="checkbox"/>

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CIPFA – Actions to Counter Fraud & Corruption

1.0 ADOPTING THE RIGHT STRATEGY

Key Elements of a Strategic Approach

1.1	Does the organization have a counter fraud and corruption strategy that can be clearly linked to the organization's overall strategic objectives?	<p>The Council has an approved Anti-Fraud and Corruption Policy and Fraud Response Plan, but they are out of date. In April 2006 Cabinet approved the Benefit Service's Fraud Awareness Policy and Benefit Fraud Sanction Policy (Minute ref: CAB.206/06).</p> <p><u>Action Required (No 1)</u> The existing Anti-Fraud and Corruption Policy and Fraud Response Plan policies were last reviewed in 2001 are out of date (e.g. various references to the Director of Finance). They are not directly linked to overall strategic objectives and must be updated to make the necessary links.</p>
1.2	Is there a clear remit to reduce losses to fraud and corruption to an absolute minimum covering all areas of fraud and corruption affecting the Organisation?	<p>There is no clear remit in the existing policies to reduce losses to an absolute minimum.</p> <p><u>Action Required (No 2)</u> The Anti-Fraud and Corruption Policy and Fraud Response Plan do not include a clear remit to reduce losses to an absolute minimum and must be updated to include such a remit.</p> <p>The policies are not directly linked to operational work.</p>
1.3	Are there effective links between 'policy' work (to develop an anti-fraud and corruption and 'zero tolerance' culture, create a strong deterrent effect and prevent fraud and corruption by designing and redesigning policies and systems) and 'operational' work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where it is found)?	<p><u>Action Required (No 3)</u> The Anti-Fraud and Corruption Policy and Fraud Response Plan are not directly linked to operational work and must be updated to make the necessary links.</p>

CIPFA – Actions to Counter Fraud & Corruption

Key Elements of a Strategic Approach

<p>1.4 Is the full range of integrated action being taken forward or does the Organisation ‘pick and choose’?</p>	<p>The full range of integrated action is taken in the investigation of fraud and corruption, including benefits investigation work, data matching and internal audit investigations.</p> <p>No Action Required</p>
<p>1.5 Does the Organisation focus on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc.)?</p>	<p>The Council focuses on outcomes, i.e. reducing losses. All overpaid benefit is reported to the Overpayments Recovery Team and is investigated. Sanctions are imposed in accordance with Benefit Fraud Sanction Policy</p> <p>No Action Required</p>
<p>1.6 Has the strategy been directly agreed by those with political and executive authority for the Organisation?</p>	<p>Management Team and Cabinet have approved all strategies. Management Team and Cabinet will consider any amendments to these policies. As mentioned, Cabinet has recently approved the Benefit Service’s Fraud Awareness Policy and Benefit Fraud Sanction Policy.</p> <p>No Action Required</p>

CIPFA – Actions to Counter Fraud & Corruption

2.0 ACCURATELY IDENTIFYING THE RISKS

Measuring Fraud and Corruption Losses

2.1	Are fraud and corruption risks considered as part of the Organisation's strategic risk management arrangements?	Fraud and corruption has been considered as part of the development of the Council's strategic risk management.
2.2	<p>Is the Organisation seeking to identify accurately the nature and scale of losses to fraud and corruption, using a:</p> <ul style="list-style-type: none"> • Proper definition of fraud based in civil law for making accurate estimates? • Professional statistical methodology for making accurate estimates and building in a proper level of independent validation? 	<p>No Action Required</p> <p>The weekly income benefit (WIB) assessment that previously set a recovery threshold for the Council is no longer undertaken, as the subsidy system has been revised from 1st April 2006 and the WIB (based on prosecutions and sanctions) was replaced by a two-year, lump sum, Administration Grant. Guidance has been sought from the Audit Commission and it appears that there is currently little data available regarding the statistical methodology referred to here.</p>
2.3	Does the Organisation use accurate estimates of losses to make informed judgements about levels of budgetary investment in work to counter fraud and corruption?	<p>Action Required (No 4)</p> <p>Further clarification needs to be obtained as to identify the nature and scale of losses to fraud and corruption.</p> <p>The Benefits Service has a zero based budget, as the Chief Executive Officer believes that the administration of benefits should not incur a cost to the tax payer. Funding of the Service is formula based.</p> <p>The Internal Audit Service budget is set according to the requirements of a risk assessed audit plan, which includes fraud and corruption work (e.g. housing benefits, payroll, National Fraud Initiative (NFI) data matching, completing Audit Commission Fraud & Corruption Risk Assessment Toolkit, etc).</p> <p>No Action Required</p>

CIPFA – Actions to Counter Fraud & Corruption

3.0 CREATING & MAINTAINING A STRONG STRUCTURE

Having the Necessary Authority and Support

3.1	Do those tasked with countering fraud and corruption have the appropriate authority needed to pursue their remit effectively, linked to the Organisation’s counter fraud and corruption strategy?	The Housing Benefits and Audit Sections are tasked with countering fraud and corruption. The Audit Section’s Terms of Reference give the Service the appropriate authority to undertake this work. The Housing Benefit Regulations give the Benefits Section the necessary authority.
3.2	Is there strong political and executive support for work to counter fraud and corruption?	<p>Action Required (No 5) Link to the counter fraud and corruption strategies.</p> <p>The Housing Benefits Section’s counter fraud work is reported to, and considered by the Audit Committee.</p> <p>The Chief Executive and Director of Resources have both actively supported the Benefits Section’s counter fraud and corruption aims.</p> <p>The Internal Audit Section’s counter fraud work is also reported to the Audit Committee.</p> <p>No Action Required</p>

CIPFA – Actions to Counter Fraud & Corruption

Having the Necessary Authority and Support

<p>3.3 Is there a level of financial investment in work to counter fraud and corruption that is proportionate to the risk that has been identified?</p>	<p>There is significant financial investment in staffing and training for the Housing Benefits and Internal Audit Sections. The investment in training includes specific benefits related training (Professionalism in Security (PINS)) and various professional qualifications (e.g. IRRV and CIPFA), which incorporate the study of fraud and corruption and ethics.</p> <p>There is investment in the membership of partnership organisations, including the North East Fraud Federation (NEFF), and resources are devoted to supporting the Durham County Council Chief Financial Officers’ Housing Benefits and Internal Audit Sub-Groups.</p> <p>There is Investment in the necessary ICT resources, including IDEA interrogation software, and the NFI and HBMS data matching exercises.</p> <p>Appropriate investment has been made in the areas of greatest risk as explained above.</p> <p>No Action Required</p>
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CIPFA – Actions to Counter Fraud & Corruption

Specialist Training and Accreditation

<p>3.4 Are all those working to counter fraud and corruption professionally trained and accredited for their role?</p>	<p>There is a high level of training, experience and qualifications in the Audit Section. All officers are either studying AAT or CIPFA or are already qualified. Training is also given on areas including the Regulation of Investigatory Powers Act (RIPA), housing benefits, fraud and corruption, etc, as part of officers' Continual Professional Development.</p> <p>The responsible officers in the Housing Benefits Section (i.e. the Manager, two fraud officers and two intervention officers) are all accredited with PINS training which is a nationally recognised qualification.</p> <p>No Action Required</p>
<p>3.5 Do those employees who are trained and accredited formally review their skills base and attend regular refresher courses to ensure they are abreast of new developments and legislation?</p>	<p>All Audit Section officers are committed to Continual Professional Development, through CIPFA and the AAT, which includes attending courses organised by fraud bodies such as NEFF.</p> <p>The Housing Benefits Section uses a web-based Fraud Awareness Training Package to review and refresh knowledge and skills. All Benefits, Customer Services, Council Tax and Housing officers take the test and must score 60% to pass and download a certificate. The Fraud & Investigations Manager monitors the results of the tests and ensures that training is given in any weak areas identified. He also carries out Fraud Awareness Training for relevant staff.</p> <p>No Action Required</p>

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Specialist Training and Accreditation

<p>3.6 Are all those working to counter fraud and corruption undertaking this work in accordance with a clear ethical framework and standards of personal conduct?</p>	<p>All Audit Section officers comply with CIPFA's Code of Practise for Internal Audit, including the ethics framework, as confirmed annually by the Audit Commission, and sign an annual declaration of interests.</p> <p>The Housing Benefits Fraud & Investigation Section has a Code of Conduct, which all officers must sign. The Code covers areas including Police and Criminal Evidence Act 1984 (PACE), RIPA, confidentiality and other relevant legislation.</p> <p>No Action Required</p>
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CIPFA – Actions to Counter Fraud & Corruption

Propriety Checks

<p>3.7 Is an effective propriety checking process - implemented by appropriately trained staff - in place that includes appropriate action where individuals fail the check?</p>	<p>The Human Resources Section (HR) requests two references from all new starters and monitors that they have been received. Any poor references would be discussed with the department and a decision made depending on what the issue was. The contract of employment is dependent on satisfactory references and can be terminated if they are unsatisfactory.</p> <p>CRB checks are also undertaken on specific categories of employees and contracts of employment are dependent on satisfactory results. As with references, an unsatisfactory CRB check would be referred to the department and a decision taken based on the evidence supplied.</p> <p>Contracts have been terminated following unsatisfactory references and CRB checks.</p> <p>No Action Required</p>
<p>3.8 Does the Organisation regularly review its propriety checking and are random checks carried out to ensure that it is implemented?</p>	<p>This policy is being reviewed by the HR department.</p> <p>Action Required (No 6) The propriety policy review is still to be completed by the HR department.</p>

CIPFA – Actions to Counter Fraud & Corruption

Developing Effective Relationships With Other Organisations

3.9	Are there framework agreements in place to work with other Organisations and agencies?	The Housing Benefits Section has Formal Partnership Agreements (FPA) with the Department of Work and Pensions (DWP) and the Inland Revenue. These FPA are reviewed and re-signed every six months by senior benefits officers.
3.10	Are the framework agreements focused on the practicalities of common work?	No Action Required FPA refer to practical issues including information sharing arrangements.
3.11	Are there regular meetings to implement and update these agreements?	No Action Required Meetings are held and the FPA are reviewed and re-signed every six months by senior benefits officers.

CIPFA – Actions to Counter Fraud & Corruption

4.0 TAKING ACTION TO TACKLE THE PROBLEM

Taking the Full Range of Action and Integrating Different Strands

4.1	Is the Organisation undertaking the full range of necessary action (see also 1.3)?	The policies are not directly linked to operational work - see Action Number 3 in 1.3.
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Culture, Deterrence and Prevention Framework

Culture

4.2	Does the Organisation have a clear programme of work attempting to create a real anti-fraud and corruption and zero tolerance culture (including strong arrangements to facilitate Whistle blowing)?	A lot of counter fraud and corruption work is being undertaken and new initiatives are always being progressed by the Benefits Fraud team. Standards and ethics issues are proactively developed through the Standards Committee.
4.3	Are there clear goals for this work (to maximize the percentage of staff and public who recognize their responsibilities to protect the Organisation and its resources)?	<p>No Action Required</p> <p>A number of national key performance indicators apply to the prevention and detection of fraud and are also contained within the service plan. There are a range of policies and documents some of which are contained in the Council's Constitution that direct staff to meeting their responsibilities.</p> <p>The Council publicises issues around fraud extensively, particularly through the INFORM magazine, circulated to all households in the Borough.</p>
4.4	Is this programme of work being effectively implemented?	<p>No Action Required</p> <p>Yes – See 4.2</p>

CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Culture

4.5	Are there arrangements in place to evaluate the extent to which a real anti-fraud and corruption culture exists or is developing throughout the organisation?	Seeking to identify appropriate guidance in this area. Action Required (No 7) Awaiting appropriate guidance.
4.6	Are agreements in place with stakeholder representatives to work together to counter fraud and corruption?	There are agreements in place with the DWP that cover joint working and prosecutions. No Action Required
4.7	Have arrangements been made to ensure that stakeholder representatives' benefit from successful counter fraud and corruption work?	The DWP get the sanction resulting from any successful joint investigation or prosecution, as do the Council. Consideration should be given to the benefit derived for other stakeholders. There is joint working undertaken on an on-going basis with Parish and Town Councils particularly in relation to standards of conduct. No Action Required

CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Deterrence

4.8	Does the organisation have a clear programme of work attempting to create a strong deterrent effect?	Yes – See 4.2	
4.9	Does the organisation have a clear programme of work to publicise the: <ul style="list-style-type: none"> • Hostility of the honest majority to fraud and corruption; • Effectiveness of preventative arrangements; • Sophistication of arrangements to detect fraud and corruption; • Professionalism of those investigating fraud and corruption and their ability to uncover evidence; • Likelihood of proportionate sanctions being applied; and • Likelihood of losses being recovered? 	Yes – See 4.2	
4.10	Has the Organisation successfully publicized work in this area?	There is information regarding the Benefits Section’s counter fraud and corruption activity, which is publicised as follows: <ul style="list-style-type: none"> • Inform articles, • Poster campaign (at Council premises including leisure centres), • Staff induction courses, • Adverts. 	No Action Required

CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Deterrence

4.11	Has the publicity been targeted at the areas of greatest fraud losses?	<p>The greatest potential area of fraud is undeclared capital, particularly from older benefit claimants (i.e. pensioners).</p> <p>A detailed report on Benefit Fraud is prepared for consideration by the Audit Committee on an annual basis. As mentioned earlier, publicity is widely undertaken through the INFORM magazine to ensure performance standards remain up to date.</p> <p>No Action Required</p>
4.12	Does the Organisation seek to design fraud and corruption out of new policies and systems and to revise existing ones to remove apparent weaknesses?	<p>The Council seeks to ensure that the risk of fraud and corruption occurring in its systems is minimised, via the audit process and other reviews undertaken. All new systems and policies, e.g. HR/Payroll are designed taking into account the need to reduce the risk of fraud occurring.</p> <p>Existing policies, including the Risk Management Policy & Strategy have been reviewed, updated and approved.</p> <p>No Action Required</p>
4.13	Do concluding reports on investigations include a specific section on identified policy and systems weaknesses that allowed the fraud and corruption to take place?	<p>No Action Required</p> <p>Any investigation undertaken by the Internal Audit Section identifies and reports on systems weaknesses and remedies. Housing Benefits reports identify the type and cause of fraud investigated.</p> <p>No Action Required</p>
4.14	Is there a system for considering and prioritizing action to remove these identified weaknesses?	<p>No Action Required</p> <p>The Internal Audit Section recommends improvements to systems and agrees an action plan for implementing them, which is then monitored.</p> <p>No Action Required</p>

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Culture, Deterrence and Prevention Framework

Detection

<p>4.15 Are there effective 'whistle blowing' arrangements in place?</p>	<p>The Housing Benefits Section uses a national free phone, hotline number, which people can use to leave information regarding fraudsters. The service is entirely confidential and there is no pressure to leave any personal details. The Benefits Section, or the Customer Services Section deal with these calls, but people can also telephone the Benefits Section directly and leave information. Most investigations are initiated through direct calls to the Section.</p> <p>There is also a whistle blowing policy and procedure in place within the Council and its effectiveness is reviewed annually and reported to the Standards Committee.</p> <p>No Action Required</p>
<p>4.16 Are analytical intelligence techniques used to identify potential fraud and corruption?</p>	<p>The Council participates in the Audit Commission's NFI data matching exercise and complies with recommended practice.</p> <p>The Audit Section uses IDEA software on all major databases, and in other system areas, e.g. payroll, creditors, fuel stores and investigates all anomalies.</p> <p>The Housing Benefits Section runs the monthly Housing Benefit Matching Service (HBMS) report and investigates all anomalies highlighted. The Section also runs regular reports on specific areas, e.g. Job Seekers Allowance (JSA) claims and proactively investigates claims. The potential use of Voice Risk Analysis software is currently being considered.</p> <p>No Action Required</p>

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Culture, Deterrence and Prevention Framework

Detection

4.17	Are there effective arrangements for collating, sharing and analysing intelligence?	<p>The Audit Section shares data with Chief Financial Officers Audit Sub-Group members and other neighbouring authorities (e.g. Durham County Council and Tynedale District Council).</p> <p>The Benefits Section has signed agreements and exchanges intelligence with a number of agencies including the DWP, Inland Revenue and other local authorities. The Section also has close contacts with the local police force and acts on information received from them following arrests, e.g. false addresses given. The Section also has a trained Authorising Officer who has authority to contact banks and other financial institutions for information in respect of claims.</p> <p>Both Sections act on intelligence received from various sources.</p> <p>No Action Required</p>
4.18	Are there arrangements in place to ensure that suspected cases of fraud or corruption are reported promptly to the appropriate person for further investigation?	<p>There are established procedures in place to ensure that Benefits Assessment Officers immediately report all cases of benefits related fraud to the Benefits Fraud Investigation Section for investigation.</p> <p>There is an Anti-Fraud and Corruption Response Plan, which requires all suspected cases of fraud and corruption to be reported to the Director of Resources.</p> <p>No Action Required</p>

CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Investigation

4.19	Are arrangements in place to ensure that identified potential cases are promptly and appropriately investigated?	<p>The Benefits Section investigates all potential cases of benefits fraud reported to it in accordance with the Benefit Fraud Sanction Policy.</p> <p>The Audit Section immediately investigates all alleged cases of fraud and corruption. This is an essential performance target, which is included in the Section's Service Plan.</p> <p>No Action Required</p>
4.20	Are proactive exercises undertaken in key areas of fraud risk or known systems weaknesses?	<p>The Benefits Section proactively targets specific risk areas, including JSA claims and claims where the wages have not been assessed for 6 months or more.</p> <p>The Audit Section proactively audits key areas of fraud risk in all major systems, including payroll, creditors and cash collection using IDEA interrogation software. The Audit Section also completes the Audit Commission's Fraud and Corruption Risk Assessment Toolkit (FACRAT).</p> <p>No Action Required</p>

CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Investigation

4.21	Is the Organisation's investigation work effective? And Is it carried out in accordance with clear guidance?	<p>The Benefits Fraud Investigation Section works effectively to the necessary standards and in accordance with the Housing Benefits Regulations, Housing Benefits Guidance and Training and the Benefit Fraud Sanction Policy.</p> <p>The Audit Commission annually certifies that the Audit Section is working effectively to the standards detailed in CIPFA's Local Government Internal Audit Code of Practice.</p> <p>No Action Required</p>
4.22	Do those undertaking investigations have the necessary powers, both in law, where necessary, and within the Organisation?	<p>The Benefits Fraud Investigation Section's authority to investigate is derived from statute and the Housing Benefit Regulations. The Council is firmly committed to the proper investigation of benefits fraud.</p> <p>The Audit Section's Terms of Reference give the Section the necessary authority within the Council to undertake investigation work.</p> <p>No Action Required</p>

CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Sanctions

4.23	Are referrals handled and investigations undertaken in a timely manner?	<p>The Senior Benefits Officer (Investigations and Visiting) monitors and reports to senior management all benefit fraud cases investigated, including their turnaround time. All HBMS investigations must be completed within 2 months.</p> <p>The Audit Section prioritises all investigations work and reports progress to senior management.</p> <p>No Action Required</p>
4.24	Does the Organisation have arrangements in place for assessing the effectiveness of investigations?	<p>The Senior Benefits Officer (Investigations and Visiting) completes monthly reports to the DWP on investigations, sanctions and prosecutions, which show the effectiveness of the investigations undertaken.</p> <p>The Audit Section reports the outcome of any investigations to senior management, including the Director of Resources, and the Audit Commission.</p> <p>No Action Required</p>
4.25	Does the Organisation have a clear and consistent policy on the application of sanctions where fraud or corruption is proven to be present?	<p>Cabinet has recently approved the Benefit Service's Fraud Awareness Policy and Benefit Fraud Sanction Policy.</p> <p>No Action Required</p>

CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Sanctions

4.26	Are all possible sanctions – disciplinary/regulatory, civil and criminal - considered?	<p>The Council considers the use of all possible sanctions. The Human Resources Section has brought disciplinary action against employees for various reasons, including fraud. The Legal Section has brought civil action against individuals and companies the Council has dealt with, as well as employees.</p> <p>The Benefits Section imposes sanctions in accordance with the Benefit Fraud Sanction Policy.</p> <p>No Action Required</p>
4.27	Does the consideration of appropriate sanctions take place at the end of the investigation when all the evidence is available?	<p>The Benefits Section imposes sanctions in accordance with the Benefit Fraud Sanction Policy.</p> <p>The Audit Section and Human Resources Section consider appropriate sanctions at the end of an investigation, in conjunction with the Director of Resources and other Chief Officers including the possibility of seeking reimbursement of any losses from the officers contributing to the pension fund.</p> <p>No Action Required</p>
4.28	Does the Organisation monitor the extent to which the application of sanctions is successful?	<p>The Senior Benefits Officer (Investigations and Visiting) maintains detailed records of all sanctions and prosecutions, which are reported to senior management, as well as the DWP.</p> <p>There is no other monitoring of the effectiveness of sanctions applied elsewhere, as there are no common frauds perpetrated elsewhere in the organisation where the application of sanctions could be monitored.</p> <p>No Action Required</p>

CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Redress

<p>4.29 Does the Organisation have a clear policy on the recovery of losses incurred to fraud and corruption?</p>	<p>Cabinet has recently approved the Benefit Service's Fraud Awareness Policy and Benefit Fraud Sanction Policy which includes recovery of overpayments.</p> <p>The Council's Anti-Fraud and Corruption Policy and Response Plan do not contain an explicit commitment to recovering losses incurred to fraud and corruption.</p> <p>Action Required (No 8) The Council's Anti-Fraud and Corruption Policy and Response Plan need to be updated to refer to the recovery of losses attributable to fraud and corruption.</p>
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CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Redress

4.30	Is the Organisation effective in recovering any losses incurred to fraud and corruption?	<p>The Benefits Section monitors the recovery of overpaid benefits in accordance with three BVPIs: The amount of Housing Benefit overpayments (HB) recovered during the period being reported on as a percentage of HB deemed recoverable overpayments during that period - 2007/08 target 81.00%, actual at Q2 89.74%, HB overpayments recovered during the period as a percentage of the total amount of HB overpayment debt outstanding at the start of the period plus amount of HB overpayments identified during the period – 2007/08 target 45.00%, actual Q2 21.98%, HB overpayments written off during the period as a percentage of the total amount of HB overpayment debt outstanding at the start of the period, plus amount of HB overpayments identified during the period. 2007/08 target 4.8%, actual at Q2 1.24%.</p> <p>Performance is reported to the Audit Committee annually.</p> <p>No Action Required</p>
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CIPFA – Actions to Counter Fraud & Corruption

Culture, Deterrence and Prevention Framework

Redress

4.31	Does the Organisation use the criminal and civil law to the full in recovering losses?	See 4.26 above.
4.32	Does the Organisation monitor proceedings for the recovery of losses?	<p>No Action Required</p> <p>The Benefits Section monitors and reports all overpaid benefit recovered and the outcome of all fraud investigations.</p> <p>The Audit Section monitors the proceedings and outcome of all internal investigations in accordance with the requirements of the Fraud Response Plan.</p> <p>No Action Required.</p>
4.33	What is the Organisation's successful recovery rate?	See 4.30 above.
		No Action Required

CIPFA – Actions to Counter Fraud & Corruption

5.0 DEFINING SUCCESS

Focusing on Outcomes and Not Merely Activity

5.1	Are there clear outcomes described for work to counter fraud and corruption?	<p>The Benefits Section reports all fraud investigation activity to Senior Managers and the DWP. Stretching but realistic targets are set.</p> <p>There are targets that are monitored as part of the Council’s performance management and corporate planning arrangements.</p> <p>No Action Required Seeking guidance from CIPFA / Audit Commission on what is meant by the term ‘clear outcomes’.</p> <p>See 5.1 above.</p> <p>There is no other analysis of the actual sums lost that is used to define the corporate desired outcomes.</p> <p>No Action Required</p>
5.2	Do the desired outcomes relate to the actual sums lost to fraud and corruption?	

CIPFA – Actions to Counter Fraud & Corruption

SUMMARY OF ACTION PLAN POINTS

1.1	<p><u>Action Required (No 1)</u> The existing Anti-Fraud and Corruption Policy and Fraud Response Plan policies are out of date (e.g. various references to the Director of Finance). They are not directly linked to overall strategic objectives and must be updated to make the necessary links.</p>
1.2	<p><u>Action Required (No 2)</u> The Anti-Fraud and Corruption Policy and Fraud Response Plan do not include a clear remit to reduce losses to an absolute minimum and must be updated to include such a remit.</p>
1.3	<p><u>Action Required (No 3)</u> The Anti-Fraud and Corruption Policy and Fraud Response Plan are not directly linked to operational work and must be updated to make the necessary links.</p>
2.2	<p><u>Action Required (No 4)</u> Further clarification needs to be obtained as to identify the nature and scale of losses to fraud and corruption.</p>
3.1	<p><u>Action Required (No 5)</u> Link to the counter fraud and corruption strategies.</p>
3.8	<p><u>Action Required (No 6)</u> The propriety policy review is still to be completed by the HR department.</p>
4.5	<p><u>Action Required (No 7)</u> Awaiting appropriate guidance.</p>
4.29	<p><u>Action Required (No 8)</u> The Council's Anti-Fraud and Corruption Policy and Response Plan need to be updated to refer to the recovery of losses attributable to fraud and corruption.</p>