

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Chief Executive

to

Audit Committee

on

25 April 2018

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Fraud & Investigation

Counter Fraud & Investigation Directorate: Quarterly Performance Report

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation Directorate (CFID) in delivering the Counter Fraud Strategy and Work Programme for 2017/18.

2. Recommendation

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate to date.**

3. Proactive Work Plan

- 3.1 The CFID has a programme of proactive work conducted to ensure the council's posture against fraud is robust and effective. **Appendix 1** sets out the progress made in delivering the proactive work programme this year.
- 3.2 The work programme is a working document and if during the year changes or additions to the plan are proposed between the CFID and the Section 151 Officer; these will be brought back to the Committee.

Fraud Risk Assessment

- 3.3 CFID has developed a unique and detailed floor-up Fraud Risk Assessment (FRA) process in conjunction with the Cabinet Office. The assessment process is being delivered by the team, through:
- **targeted questionnaires** tailored to each service area
 - having **individual interviews** with staff across the organisation
 - holding **workshops** with groups of staff to increase the understanding of the process and quality of output.
- 3.4 Good progress has been made in delivering the FRA with interviews and workshops being held with key stakeholders across the Council.

- 3.5 The process has already brought improvements to the recognition and reporting of fraud and error where, CFID now meet monthly with services, including Human Resources, to ensure early intervention and a joined-up approach when concerns are identified.

National Fraud Initiative

- 3.6 The National Fraud Initiative (NFI) is a service run by the Cabinet Office public sector datasets are matched to find potential fraud or error. Business areas within the council then review these matches against their own records. In cases where fraud is suspected CFID conduct any subsequent investigations. **Appendix 2** details the progress of the NFI project.

4. Investigations

- 4.1 **Appendix 3** outlines the flow of cases into the CFID so far since 1 April 2017. Good progress has been made in responding to these incidents of suspected fraud, with:

- 110 investigations being concluded so far in the year
- 74 sanctions being delivered in cases of proven fraud
- £555,418 of fraud has been detected
- £59,405.24 being ordered back to the council by the courts.

5. National Counter Fraud

- 5.1 CFID are working with a number of national bodies to champion and raise the profile of fraud, sharing knowledge and working best practice between partner agencies. The acknowledgment of fraud by the public sector remains a common challenge with continual work being done to publicise successful outcomes. CFID continues to support other local councils and government bodies providing specialist capabilities, particularly in the emerging cyber crime and digital space.
- 5.2 CFID is an Executive Board member of NAFN.gov Data & Intelligence. NAFN is a national body funded in-part by the Home Office that develops and shares intelligence across local councils and central government. CFID developed a national paper to enhance the work of NAFN to increase its leadership role for the sector. CFID's strategy sought to increase the recognition and professionalisation by councils in the areas of Digital Forensics, Cyber-Crime, Criminal Finances and Fraud Awareness.
- 5.3 CFID continues to provide specialist support to HM Government Cabinet Office in the development of the national Counter Fraud Profession. This programme of developing the 'profession' is in recognition that:
- fraud is the most prevalent crime in the UK
 - fraud in the public sector is under-reported
 - the historical approach to deal with fraud through disciplinary activity alone is no longer acceptable
 - the capabilities in cyber and digital have not developed quick enough
 - the public sector needs to share its practice and intelligence to protect the public purse.

CFID are now co-writing the standards using its experience having direct input into the development and rollout across law enforcement and wider public sector.

5.4 CFID is an Executive Committee member of the National Tenancy Fraud Forum (TFF). TFF is the lead body for housing tenancy fraud across local councils and private registered providers nationally.

5.5 CFID is unique in that it is the only body that is a member of all of the above three functions in the counter fraud sector to ensure that CFID is at the forefront of changes and development.

6. MHCLG Counter Fraud Fund Project

6.1 CFID is working with the Ministry for Housing, Communities and Local Government (MHCLG) and CIPFA to produce a detailed report on the effectiveness of the 2014-16 counter fraud fund grant project in England & Wales.

6.2 CFID's model of tackling fraud has been identified as a best practice approach recognising its development of national capabilities. These specialist function were never previously available to local councils nor the public sector as a whole particularly in the horizon scanning in cyber-crime, supply chain fraud & corruption.

7. Multi Agency Collaborations

7.1 CFID's capability in cyber-crime and digital forensics was identified by policing as being an opportunity to co-locate and share capacity and resources where there are obvious, or regular, cross over in criminals targeting local councils and others generally.

7.2 In the last year CFID's work has led to the investigation of over 200 cases of online child abuse, resulting in the successful safeguarding of 45 children and over 60 convictions.

7.3 CFID is working with national police agencies to share its experiences and skill to ensure the capabilities are accessible for the whole of law enforcement.

8. Fraud Loss Assessment

8.1 The Fighting Fraud & Corruption Locally strategy was published in 2016 and provided a snapshot of the crime risks faced by local councils. The strategy could only take account of information known at the time it was published and has not been updated since. To ensure that CFID had a live understanding on the threats faced by the council and its partners a significant amount of time was invested in research and analysis.

8.2 CFID's intelligence bureau used all the national intelligence and published reports and strategies to relate the fraud risks to Southend-on-Sea Borough Council. This work has provided current knowledge of the current threats and impact on frontline services, both locally and on the national spectrum.

8.3 Various data sources have been used by CFID including information from:

- Counter Fraud Centre at the University of Portsmouth
- Annual Fraud Indicator published by Crowe Clark & Whitehall

- Home Office Serious & Organised Crime Strategy
 - Home Office working group on 'Costs of Cyber Crime'
 - National Cyber Security Centre
 - National Audit Office Cross Government Annual Fraud Landscape Report
- 8.4 This research now puts the annual loss figure to local councils from fraud at £12.6bn, a significant increase from the reported £2.1bn in 2016.
- 8.5 CFID has collated all the published tools and information from the leading government sources and used the information from internal fraud risk assessment process to devise an annual fraud impact assessment and strategy. These tools and strategy are now shown at **Appendix 4** and **Appendix 5**.
- 8.6 The '4P's' strategy has been adopted to outline the areas where CFID will target its resources, similar to the national CONTEST terrorism strategy. This approach mirrors the soon to be published fraud strategy taken by policing to ensure easy interoperability and cohesion.

9. Corporate Implications

9.1 Contribution to Council's Aims and Priorities

Work undertaken to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities.

9.2 Financial Implications

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

Any financial implications arising from identifying and managing the fraud risk will be considered through the normal financial management processes.

Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

9.3 Legal Implications

The Accounts and Audit Regulations 2015 Section 3 requires that:

The relevant authority must ensure that it has a sound system of internal control which:

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

The work of the Directorate contributes to the delivery of this.

9.4 People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

9.5 Property Implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

9.6 Consultation: None

9.7 Equalities Impact Assessment: None

9.8 Risk Assessment

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

9.9 Value for Money

An effective counter fraud and investigation service should save the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

9.10 Community Safety Implications and Environmental Impact: None

10. Background Papers

- 2017 Annual Fraud Indicator – Crowe Clark & Whitehall

11. Appendices

- Appendix 1: Counter Fraud Work Plan to March 2018
- Appendix 2: 2016/17 National Fraud Initiative Exercise, Data Matches
- Appendix 3: Southend Borough Council Case Summary to 1 March 2018
- Appendix 4: Annual Fraud Impact Measurement Matrix
- Appendix 5: Economic Crime, Threat Analysis & Strategy