

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive

to

Audit Committee

on

18 January 2017

Report prepared by: David Kleinberg, Group Manager,
Counter Fraud & Investigation

Counter Fraud & Investigation Directorate: Status 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 in delivering the Corporate Counter Fraud & Investigation Strategy for 2016/17.

2. Recommendation

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

3. Performance

- 3.1 The work programme consists of three main strands:

- Assessing compliance with relevant national frameworks
- Delivering a proactive programme of counter fraud work
- Investigating allegations of fraud, theft, bribery, corruption and money laundering offences, reported to the Directorate.

- 3.2 The current status of each of these work streams is detailed in this report, supported by individual appendices.

- 3.3 **Appendix 1** outlines the flow of cases into the directorate for this year since 1st April 2016.

- 3.4 Significant progress has been made by the Directorate to recover the proceeds of crime. £123k has been recovered from a fraudster by the Directorate successfully using the Proceeds of Crime Act to obtain a confiscation order.

- 3.5 **Appendix 2** outlines some of the cases investigated by the Directorate including outcomes in different areas of the council where emerging threats are being seen, such as parking, disabled badge misuse and abuse of the Essential Living Fund.

- 3.6 The Directorate has had great success working with the Parking Service in tackling disabled badge misuse and fraud. A working relationship has been built up whereby Civil Enforcement Officers can refer suspected fraud directly to a designated Investigation Officer. This has seen quick time turnaround of misuse and fraud investigations, ensuring that appropriate action is taken while also ensuring the badge is returned to the rightful user in a short amount of time. This ensures that those in genuine need are still able to use the service.
- 3.7 The Directorate have recently completed a successful recruitment campaign, recruiting one Intelligence Officer and one Investigation Officer, both of whom will be based at Southend. The Intelligence Officer is now in post and the Investigation Officer has an anticipated start date of January 2017.

4. Proactive work programme

- 4.1 **Appendix 3** sets out the current status of all the activities proposed in the Strategy for the year. The main areas where work that the Directorate has focused on to date, given the investigative caseload and resources available, has been:
- Housing Tenancy fraud
 - Insurance fraud
 - Social Care fraud
 - National Fraud Initiative.
- 4.2 Operation Domus has now been launched, as detailed in the September 2016 report to Audit Committee. It is anticipated that the first partnership agreements will be in place and active by January 2017. A pilot run with one housing provider has been successful and has already identified a number of detected tenancy frauds.
- 4.3 The Directorate continues to work closely with Internal Audit where opportunities exist to share the expertise between the two functions, including guidance in strengthening the counter-money laundering practice in the Right-to-Buy process.

Fraud Awareness Training

- 4.4 The Directorate has delivered fraud awareness training across council departments. Each training event was tailored to the particular risks faced by the departments concerned.

5. Corporate Implications

- 5.1 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.

- 5.2 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.

5.3 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.

5.4 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.

5.5 Property Implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity.

5.6 Consultation: None

5.7 Equalities Impact Assessment: None

5.8 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.

5.9 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.

5.10 Community Safety Implications and Environmental Impact: None

6. Background Papers

- Fighting Fraud locally, The Local Government Fraud Strategy
- CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
- Association of Local Authority Risk Managers (ALARM) Publication: Managing the Risk of Fraud
- Audit Commission: Protecting the Public Purse: Fighting Fraud Against Local Government.

7. Appendices

- Appendix 1: Case Summary
- Appendix 2: Recent Case Examples
- Appendix 3: Pro-active Work Plan