

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Chief Executive and Town Clerk  
to  
**Audit Committee**  
on  
12 January 2012

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## Anti Fraud & Corruption Update Report

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### *A Part 1 Public Agenda Item*

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#### 1. Purpose of Report

1.1 To present a progress report to the Audit Committee on delivering the Council's Anti Fraud & Corruption, Whistleblowing and Anti Money Laundering Strategies.

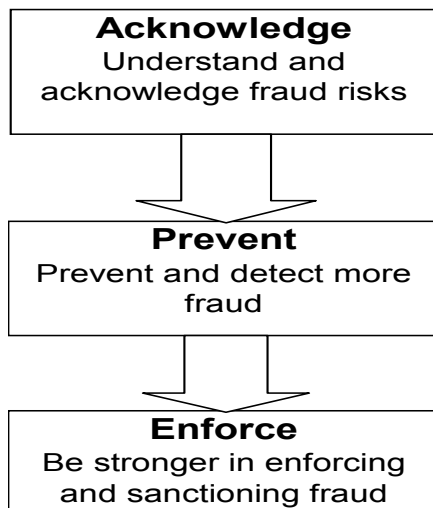
#### 2. Recommendation

2.1 **The Committee accepts the progress made in implementing the Council's Anti Fraud and Corruption Strategy.**

#### 3. National Fraud Authority, Local Government Fraud Strategy

3.1 National Fraud Authority is launching its Fraud Strategy for Local Government in the next few weeks. The expectation is that it will be adopted by all local authorities.

3.2 The main thrust of the strategy is:



#### Themes

} **Culture:** Zero tolerance approach to fraud

} **Collaboration:** Working better together

} **Consistency:** Standardising fraud practices

} **Accountability:** Taking responsibility for fraud

} **Transparency:** Honesty about fraud

3.3 One of the key messages being that the focus should be on preventing fraud and corruption happening rather than investigating it when it has happened.

3.4 A summary of the key messages from the report will be provided when it is available.

#### 4. Anti Fraud & Corruption Action Plan

4.1 **Appendix 2** contains the:

- core framework adopted by the Council to ensure that these policies are fit for purpose and operate as designed
- annual action plan
- examples of the updated publicity material

4.2 Action taken since the last progress report has been highlighted in **bold** for ease of reference.

4.3 Good progress is being made in taking many of the actions forward. The general publicity material has all been updated and will be sent out shortly.

4.4 Two proactive fraud exercises are underway regarding blue badges and housing tenancies. Options regarding data analysis to identify potential procurement issues are also being explored in conjunction with the Head of Procurement.

4.5 Group Managers were requested to:

- brief their teams that the suite of fraud related policies have been updated and that all concerns should now be reported to the Corporate Fraud Investigations Team
- undertake a bribery and money laundering risk assessment for their service

4.6 The risk assessment has been return by all teams and only a couple of services still have to complete the team brief. The risk assessments have been analysed and targeted training will be provided in the new year to those team who have been assessed as providing services where this is a higher potential money laundering or bribery risk.

4.7 Training material is now either available or being developed covering general fraud awareness, procurement and contracting fraud risks (in conjunction with the Head of Procurement) and staff behaviour (in conjunction with the HR Manager). This will be rolled out appropriately in the new year. The intention is also to provide a session just for members highlighting how they can help progress this agenda and issues specifically for them to consider when discharging their role.

## 5. Audit Commission's National Fraud Initiative

- 5.1 The data matches from the Audit Commission's National Fraud Initiative (NFI) exercise were received in January 2011. These have been distributed to the relevant services to investigate, the results of which are updated on line. The Audit Commission then periodically produces monitoring reports from this information.
- 5.2 The data matches received are risk assessed as high, medium and low and within these categories, some are identified as 'recommended' which authorities are expected to deal with first. The Audit Commission do not expect authorities to investigate every match. Authorities are required to complete an initial review of all matches and decide which warrant further investigation based upon local priorities and risk. In general, teams are targeting high risk and recommended matches and will not be reviewing medium or low risk matches as experience suggests these are unlikely to yield results.
- 5.3 Therefore **Appendix 3** has been updated to show:
- those matches that won't be reviewed based on the risk assessment
  - target completion dates where there is still work outstanding.
- 5.4 Target completion dates for housing benefit related cases could not be provided as other organisations are involved in the process - see note 4 on Appendix 3.
- 5.5 The main bulk of the matches that were as a result of duplicate creditor information have been cleared.

## 6. Housing Benefit and Other Prosecutions

- 6.1 From April 2011 to date there have been 11 successful prosecutions. The main reasons for offences are failure to advise the Council of relevant changes in circumstances in the prompt prescribed manner and false statements being made. Sentences awarded in these cases included 20 months imprisonment, suspended sentences, community punishment orders in the range of 100 - 250 hours and conditional discharges.
- 6.2 The largest occurring Housing and Council Tax benefit overpayments, in respect of individual cases, have been £36,021.75 and £31,072.75. These offences occurred from failure to declare capital and income from other sources respectively. Both of these cases resulted in media coverage in the national newspapers.
- 6.3 Due to the publicity following these cases, which had featured in the Evening Echo and some daily national newspapers, Flame TV, requested to film how these cases were identified and progressed to their outcome for the 'Saints & Scroungers' programme for BBC1 and presented by Dominic Littlewood. Filming was conducted within the Civic Centre and at off site locations appropriate to the case in question.
- 6.4 The new series 'Saints & Scroungers' commences in January 2012. The date the programme will be shown is yet to be advised.

- 6.5 There are currently a further 8 cases awaiting progression through the various stages in the court and another 5 files being prepared with a recommendation to forward for legal action. Progression of cases are now taking longer to process due to the cutbacks within the Court Service in respect of available court days.
- 6.6 The first non benefit prosecution achieved related to the theft of a secured modem from one of the self service booths in the Council foyer. CCTV evidence was obtained which identified a man leaving the Civic Centre with an item hidden under his jacket. Further enquiries identified this man from the information he had submitted on-line. The Corporate Fraud Investigations Team produced a file on the case that was submitted to the police who subsequently arrested and searched the subject's home address. Full admissions were made during the Interview under Caution to the theft.
- 6.7 The man appeared in court, pleaded guilty to the offence and was given a 12 month conditional discharge. Compensation was awarded to Southend-on-Sea Borough Council to the amount of £189.79 and costs of £85.00. A full media release was published.

## **7. Blue Badge**

- 7.1 The latest figures issued by the National Fraud Authority in February 2011 regarding blue badge misuse, estimates the loss of parking income at £46 Million (which is a conservative figure). The Council has currently issued approximately 7,500 blue badges to those who meet the qualifying criteria.
- 7.2 The Corporate Fraud Investigations Team has now investigated 16 referrals regarding blue badge abuse. Investigation Officers have initially conducted visits to advise of the correct use of the blue badges and to raise levels of awareness in respect of five cases.
- 7.3 Where misuse has been proven, three warning notices have been issued to the badge holder and the person using the badge incorrectly. Some of the referrals are still being investigated.
- 7.4 An exercise was recently undertaken whereby the Corporate Fraud Investigations Team went out around the Borough to look for blue badge misuse. This was initiated because a number of referrals had been received from members of the public stating that blue badges were being misused within the Borough. A blue badge had also recently been confiscated by a Civil Enforcement Officer from APCOA the Council's parking management company, for misuse.
- 7.5 This was the first time that the Corporate Fraud Investigations Team and APCOA had undertaken such an exercise. A WPC from Essex Police was also in attendance to ensure that there were no breaches of the peace.
- 7.6 The officers conducting this pilot exercise approached drivers leaving, returning to or sitting in their vehicles in and around Southend-on-Sea town centre to inspect the badge and ensure it was being used by the authorised badge holder. A warning notice was issued to a gentleman using his wife's badge when she was not present. A further exercise will take place in December.
- 7.7 At a later date, sanctions or potential prosecutions could and will be considered in respect of offences committed on a case by case basis.

- 7.8 In an attempt to combat and reduce the levels of fraud in this area, all local authorities will be required to enter details of any new blue badges issued onto a national database managed by Northgate from January 2012.
- 7.9 However this exercise has identified a number of internal system control failures with the data base and processes currently in use to record and administer this scheme. Internal Audit will be contacting the service to determine what action is required to strengthen the current arrangements.

## **8. Council Tax: Single Person Discount**

- 8.1 The Council Tax team has matched its data regarding the 30,000 people claiming single person discount with that held by Equifax, Experian and Call Credit to identify if there is more than one person using the address as a place of residence.
- 8.2 This exercise has generated 5,896 matches, of which 3,418 relate to potentially incorrect claims for single person discount and 2,478 where Housing and/or Council Tax benefit is potentially being incorrectly paid.
- 8.3 Initially contact was made with the 5,896 households requesting that they confirm they are still the only occupant. Reminder letters were then sent to those who did not respond to the initial request.
- 8.4 To date 641 single person discounts have been cancelled backdated to 1<sup>st</sup> of April. The saving to the Council this year has been £211,000, if using a year's single person discount on an average Council Tax Band D property. It is anticipated that further savings will be identified from the ongoing investigations.

## **9. Corporate Implications**

### **9.1 Contribution to Council's Aims, Priorities and Outcomes**

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

### **9.2 Financial Implications**

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

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

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

### 9.3 Legal Implications

The Accounts and Audit (England) Regulations 2011 section 4 (2) require that:

*The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.*

Therefore failure to do so would be a breach of a statutory duty.

### 9.4 People and Property Implications: None

### 9.5 Consultation: None

### 9.6 Equalities Impact Assessment: None

### 9.7 Risk Assessment

Failure to implement the framework which supports the delivery of the risk management policy and strategy and these policies increases the risk that Council objective's will not be delivered.

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.

### 9.8 Value for Money and Community Safety Implications and Environmental Impact: None

## 10. Background Papers

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.
- Association of Local Authority Risk Managers (ALARM) Publication: Managing the Risk of Fraud
- CIPFA Publication: Managing the Risk of Fraud
- Audit Commission Publication: Protecting the Public Purse: Local Government Fighting Fraud

## 11. Appendices:

- Appendix 1: Anti Fraud and Corruption, Whistleblowing and Money Laundering, Core Framework and Action Plan for 2011/12
- Appendix 2: Audit Commission: National Fraud Initiative Update