

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Corporate Director Support Services

to

**Audit Committee**

on

**26 September 2012**

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## **Counter Fraud Update Report**

**Executive Councillor – Councillor Moring**

***A Part 1 Public Agenda Item***

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### **1. Purpose of Report**

- 1.1 To update the Audit Committee on the delivery of the Council's Anti Fraud & Corruption Strategy.

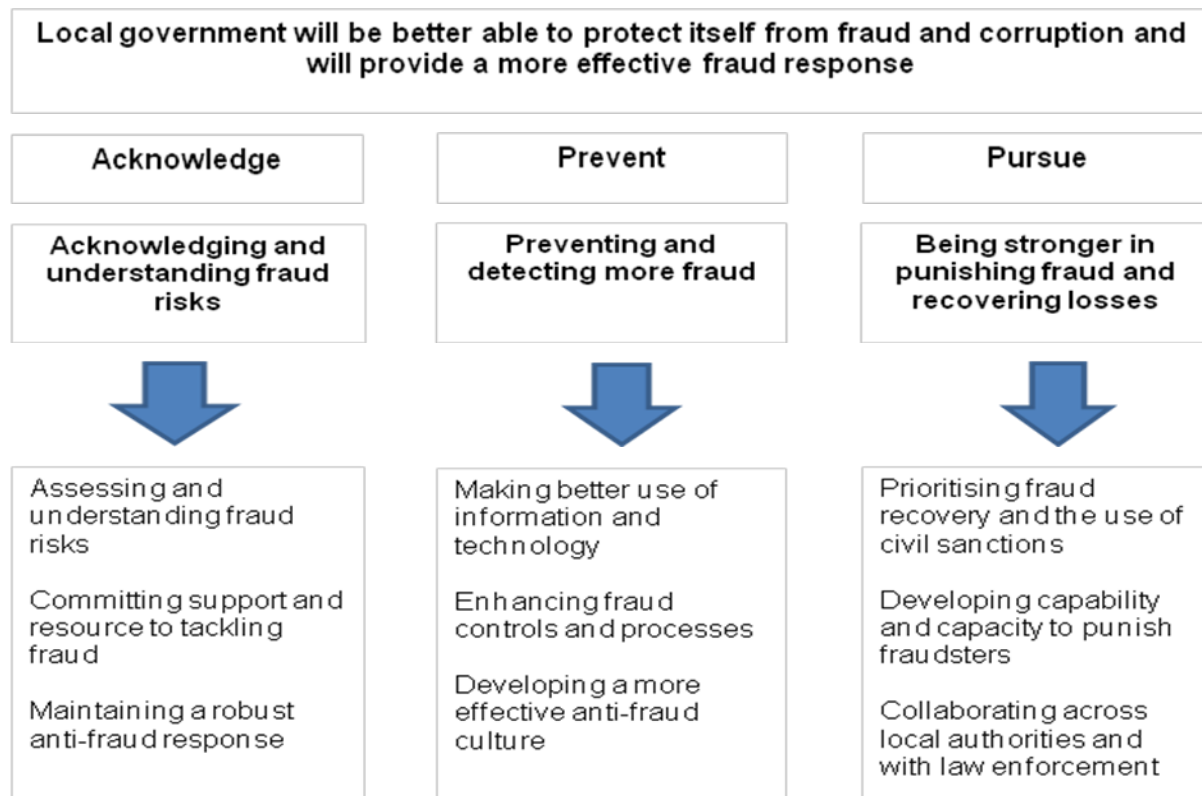
### **2. Recommendation**

#### **2.1 The Committee:**

- **notes the progress made in implementing the Council's Anti Fraud & Corruption Strategy and the fact that the content of the self assessment checklist is being built into the Fraud team's service plan covering the remainder of 2012/13 and 2013/14**
- **notes the Government's intention to bring together Benefit Fraud Investigators in Local Authorities and the Department of Works and Pensions to form the Single Fraud Investigation Service (SFIS).**

### **3. Fighting Fraud Locally, The Local Government Fraud Strategy**

- 3.1 Reducing the national deficit is seen as the most urgent issue now facing the country. Tackling fraud is seen as an integral part of putting the national finances back on a stable footing, ensuring that tax-payers hard earned money is used to protect resources for frontline services. This strategy has been brought about by a recognition that successfully fighting fraud requires a genuine partnership between local and central government and an agreed strategy for doing this.
- 3.2 The vision outlined in the strategy is that by 2015, local government will be better able to protect itself from fraud and have in place a more effective fraud response. The strategic approach outlined below is seen as the route to achieving this vision and embed a more collaborative approach to tackle the fraud threat.



### ***The Single Fraud Investigation Service***

- 3.3 As part of the government's Fraud Strategy, all Benefit Fraud Investigators in Local Authority's and the Department of Works and Pensions will be brought together to form the Single Fraud Investigation Service (SFIS). In addition, a small number of Her Majesty's Revenue and Customs investigations staff will also be joining SFIS at the same time. The initial intention was that this would happen in April 2013 although the current indications are that this timeframe will slip.
- 3.4 The justification put forward by the Department of Works and Pensions for doing this is that the SFIS will create a more coherent investigation service that is joined up, operates in a more consistent manner and takes into account the totality of offences that are committed. It will also place a greater emphasis on the deterrence and prevention of Welfare Benefit Fraud.
- 3.5 When the SFIS is first implemented, all investigations staff will remain employed by and working within their current local authority although they will be operating under SFIS procedures and policies to investigate all types of Welfare Benefit Fraud.

### ***The Council's Anti Fraud & Corruption Action Plan***

- 3.6 In June 2012, the Head of Internal Audit became the Group Manager for the Corporate Fraud Investigation Team. This has provided the opportunity to more formally review its current work programme and start to allocate additional resources to deliver aspects of the Anti Fraud & Corruption Action Plan agreed by the Audit Committee in June 2011.

- 3.7 The Counter Fraud Service Strategy (the Anti Fraud & Corruption Action Plan as was) is currently being refreshed to cover the next 18 months. This will restructure the work programme to more clearly demonstrate that proposed actions cover the full range of recommended activities (as outlined in the CIPFA Publication: Managing the Risk of Fraud) i.e.
- culture
  - deterrence and prevention
  - detection
  - investigation, sanctions and redress.
- 3.8 An assessment has been undertaken of compliance with the good practice guidance as set out in Fighting Fraud Locally, the Local Government Fraud Strategy, refer **Appendix 1**. These requirements will be built into the Counter Fraud Service Strategy, as will those set out in the Association of Local Authority Risk Managers (ALARM) and CIPFA's publications both called: Managing the Risk of Fraud.
- 3.9 During this period, strategies will be developed to identify potential work streams in all the key risk areas as reported in the Local Government Fraud Strategy and the Audit Commission Publication: Protecting the Public Purse: Local Government Fighting Fraud i.e.:
- blue badges
  - council tax
  - council tax and housing benefit
  - employees
  - grant fraud
  - housing tenancy
  - insurance
  - personal budgets
  - procurement / contract management
  - schools.
- 3.10 These wherever possible, will reflect good practice identified by the National Fraud Authority and other relevant bodies. An example of the proposed format and approach is attached at **Appendix 2**.
- 3.11 The implications of the new SFIS will be integrated into the Counter Fraud Service Strategy once there is more clarity regarding how this will operate.

#### **4. Housing Tenancy Fraud**

- 4.1 In April 2012, work started on a data matching exercise whose purpose was to identify potential housing tenancy fraud. A credit ratings agency was provided with the full list of the Council's housing tenants and this was matched against its current credit data. The data set received has been analysed to identify potential high areas of fraud for assessment and initial enquiries have been made into these cases.

- 4.2 Currently the Corporate Fraud Investigations Team has identified a few cases where a potential tenancy fraud may have occurred, and these are being pursued. The credit ratings agency is currently re-running the data match with updated information with a view to identifying additional potentially high risk properties.

### ***Housing Associations***

- 4.3 The National Fraud Authority issued a report called the Guide to Tackling Housing Tenancy Fraud, which has been provided with the Audit Committee papers for information. This has generated a lot of interest nationally from various types of organisations exposed to this risk.
- 4.4 The team has recently been approached by two housing associations who are interested in working with the Council to reduce potential fraud in this area. Initial discussions indicate an interest in joint working in a number of areas, from running awareness raising campaigns, data matching to investigating and prosecuting cases.

## **5. Housing and Council Tax Benefit Fraud**

- 5.1 The Corporate Fraud Investigations Team continues to successfully investigate Housing and Council Tax Benefit Fraud. Currently the team has:
- issued three Formal Cautions
  - issued two Administrative Penalties
  - successfully prosecuted 11 cases of fraud which have been publicised in local papers.
- 5.2 This illustrates to the community the Council's zero tolerance stance on all types of fraud.

## **6. Blue Badge Fraud**

- 6.1 The Corporate Fraud Investigations Team has successfully implemented both prevention and detection of Blue Badge Fraud.
- 6.2 The team, in conjunction with APCOA (who provide the Council's contracted out parking enforcement service) and Essex Police, have undertaken exercises to patrol Southend streets and detect Blue Badge fraud. The publicity generated by this has led to a significant increase in referrals from the general public.
- 6.3 The team has so far issued:
- five warnings regarding misuse
  - one formal caution.
- 6.4 In the first case of its type, Southend-on-Sea Borough Council successfully prosecuted a case for Blue Badge misuse and alteration of a Blue Badge under the Fraud Act 2006.

## **7. Audit Commission's National Fraud Initiative (NFI) 2012**

- 7.1 The Council is due to provide the Audit Commission with the required data to input into the next NFI exercise in October 2012. The data matches from this exercise will be received in January 2013.
- 7.2 This year, a data matching set is being developed in relation to direct payments. A number of authorities including Southend have been involved in helping to develop the data set to be used in this area.

## **8. Corporate Implications**

### **8.1 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. The Corporate Risk Framework underpins the operational effectiveness of the Council's Corporate Governance arrangements and specifically monitors progress of managing key risks associated with the successful delivery of Corporate Aims and Priorities.

### **8.2 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.

### **8.3 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.

### **8.4 People Implications: None**

### **8.5 Property Implications:**

Properties could be recovered through the investigation of housing tenancy fraud.

### **8.5 Consultation: None**

### **8.6 Equalities Impact Assessment:**

An assessment will be completed on the Counter Fraud Service Strategy once it has been completed.

Assessments on the Anti Fraud & Corruption Policy, the Whistleblowing Policy and the Money Laundering Policy will also be reviewed whenever the policies are updated.

#### 8.7 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.

#### 8.8 Value for Money

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

#### 8.9 Community Safety Implications and Environmental Impact:

None

### 9. 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.
- Fighting Fraud locally, The Local Government Fraud Strategy
- 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
- National Fraud Authority, A Guide to Tackling Housing Tenancy Fraud

### 10. Appendices:

- Appendix 1: Fighting Fraud Locally, the Local Government Fraud Strategy Self Assessment
- Appendix 2: Draft Template: Housing Tenancy Fraud, Strategy Summary