

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director Support Services

to

Audit Committee

on

27 March 2013

Report prepared by: Linda Everard, Head of Internal Audit

Anti Fraud and Corruption Strategy, Update Report

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

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

2. Recommendation

2.1 The Audit Committee:

- **confirms it remains happy with the content of the Anti Fraud and Corruption Policy and Strategy, the Whistleblowing Policies and the Anti Money Laundering Policy and Strategy and recommends them to Cabinet for approval**
- **notes the progress made in delivering the Council's Anti Fraud and Corruption Strategy.**

3. Policies, Strategies and Plans

- 3.1 The Anti Fraud and Corruption Policy and Strategy (Appendix 1), the Whistleblowing Policy (Appendix 2a and 2b) and the Anti Money Laundering Policy and Strategy (Appendix 3) have been challenged to ensure they remain fit for purpose. A key part of this exercise has been to consider the relevance of these policies to schools in the Borough. The key amendments to these documents are highlighted in the Appendices but are explained below.
- 3.2 On this basis, the Anti Fraud and Corruption Policy and Strategy have been updated to reflect:
- the approach commended by the national strategy, Fighting Fraud Locally
 - that it applies to schools.
- 3.3 Minor amendments have been made to officer / team names within the Council's Whistleblowing Policy, otherwise this remains fit for purpose. A separate version of this policy has been drafted for schools, which emphasises their responsibilities as employers to operate such arrangements in compliance with this legislation.

- 3.4 The Anti Money Laundering Policy has been amended to make it clear that it applies to schools in the same way that it does the Council.
- 3.5 Relevant entries will be built into Scheme for Financing Schools to require schools to adopt and comply with these policies.
- 3.6 Work is underway to develop the Counter Fraud Team's service plan for 2013/14 which will primarily be the manner in which the Anti Fraud and Corruption Strategy will be delivered.

4. Current Work Streams

Cultural Framework

- 4.1 Attached at Appendix 4 is primarily a summary of the key elements contained in Fighting Fraud Locally, The Local Government Fraud Strategy. The need to comply with these requirements is being built into the Council's governance framework in order to engender a zero tolerance and fraud aware culture. Therefore this update fulfils the need to report annually on compliance with these requirements.
- 4.2 The Counter Fraud Team's service plan will be presented to the Audit Committee's June 2013 meeting. Going forward, this will be a key contributor to the delivery of the strategies contained in the policies outlined above. Actions required identified from this annual review will be built into and monitored through the Counter Fraud Team's service plan.

Officers: Declarations of Interest / Gifts and Hospitality Register

- 4.3 An exercise is underway to refresh the arrangements for officers to declare interests, gifts and hospitality. An online reporting facility is being developed and the contents of the staff Code of Conduct is also being updated as part of this work.

Housing Tenancy Fraud

- 4.4 Housing tenancy fraud is a potential risk for the Council. South Essex Homes manages 6,103 properties on behalf of the Council, there are currently 5,794 people on the housing register awaiting accommodation and the cost of housing homeless families is approx £18,000.00 per annum.
- 4.5 As at 1st March 2013, the Counter Fraud Team has reviewed:
 - 226 cases of potential fraud and error as a result of a housing tenancy data match with Experian
 - 17 allegations that false housing applications have been made.
- 4.6 The Counter Fraud Team has also started to work more closely with South Essex Homes staff to identify potential housing tenancy fraud cases. Operational policies and procedures have been agreed to clarify how the relevant staff will work together effectively to investigate and progress potential fraud cases.
- 4.7 As a result of this work over the last few months, the keys to two properties have been handed back to South Essex Homes and five tenancies are being investigated further. One case is currently being prepared for a civil hearing jointly with South Essex Homes. The primary focus of this work is, first and foremost, to recover the property using civil proceedings.

- 4.8 In order to move this work on, a press release has been produced for publication in resident magazines of the local councils as well as in the local press. A targeted poster campaign will support this initiative, encouraging the public to support us and report their suspicions to us. This is an area where members can also help by being aware when out in their constituencies.
- 4.9 Over the coming months, other proactive activities are also being planned, including such things as visits to tenants groups and unannounced visits to tenants where concerns have been identified.
- 4.10 The Counter Fraud Team hosted the first meeting of the Essex Housing Tenancy Fraud Forum which is a sub group of the national forum. This was a very successful meeting with 25 attendees, representing 11 local authorities and 4 social housing landlords. An action plan is being produced for discussion at the next meeting. The Forum would like to explore opportunities for sharing:
- information about approaches to identifying potential fraudulent cases
 - good practice documentation both in terms of policies as well as operational practices
 - the cost of training or publicity campaigns
 - tenancy audit workshops.
- 4.11 The purpose of the national forum is to:
- create a network across the country to combat tenancy fraud in social housing
 - act as a local, regional and national hub for members to access best practice, information and guidance relating to tenancy fraud
 - promote discussion as well as the sharing of knowledge, awareness and good practice.

Housing and Council Tax Benefit Fraud

- 4.12 The Housing and Council benefit fraud targets for 2012/13 were set to achieve 30 Sanctions and Close 200 investigations by March 2013.
- 4.13 As at 1 March 2013:
- 19 Summons have been issued for court action
 - 20 Administration Penalties have been agreed to the value of £14,941.88, which are either a 30% or 50% fine based on the level of the identified overpayment
 - 5 Formal Cautions have been issued for admittance of an offence
 - there have been 19 prosecutions, resulting in compensation orders being issued to the value of £4,344.97, for recovery of the overpayments identified
 - 212 cases have been investigated and closed
 - overpayments have been identified totalling £382,828.65 in respect of Housing and Council Tax Benefit and Department for Works and Pension Benefits.
- 4.14 Therefore the Counter Fraud Team is on target to meet these performance indicators by 31 March 2013.

Other Investigations

- 4.15 As at 1 March 2013, the Counter Fraud Team has investigated eight cases relating to staff, two of which are currently ongoing. The closed investigations related to allegations of abuse of position, theft and bribery.
- 4.16 As a result of these investigations:
- a member of staff was dismissed following a disciplinary hearing
 - a member of staff resigned during the investigation
 - money reported missing was found as it had been allocated to the wrong budget code
 - no further action was taken on the remaining investigations due to lack of evidence.
- 4.17 It should be noted that one of the ongoing investigations has been resource intensive as it has been the primary focus for one investigator since June 2012.

Blue Badges

- 4.18 The Counter Fraud Team is continuing to work jointly with APCOA the Parking Enforcement Team, to identifying instances of misuse of the Blue Badge scheme.
- 4.19 As at 1 March 2013, the Team have investigated 20 allegations of potential Blue Badge misuse. As a result of these investigations:
- 1 Blue Badge was refused due to a fraudulent application being submitted
 - 1 Formal Caution has been issued where it was proved a Blue Badge was being used by someone other than the person it was issued to
 - there has been 1 successful prosecution for using a deceased persons Blue Badge
 - 7 written warnings have been issued for misuse of a Blue Badge.

Slipping Through the Net, Staff Vetting Guide

- 4.20 Another national report was published recently called Slipping Through the Net: Staff Vetting Guide for Local Authorities.
- 4.21 This and other relevant good practice guidance is intended to help authorities avoid employing anyone with a history of fraud by undertaking robust pre-employment checks.
- 4.22 The Council has contracted out its recruitment service, including the pre-employment check element. This contract now only has approximately a year to run.
- 4.23 An exercise is underway to compare current practice required by the contract to the good practice recommended by this and other relevant publications. Consideration will then need to be given as to whether any short term action is required to address areas where the process could be improved. This will also be taken into account when taking a longer term view of how this service will be delivered.
- 4.24 Some recruitment files will be checked over the coming months to ensure that the current service provider is complying with the contract terms in this area.

Working with Schools to Counter Fraud

- 4.25 Some work is being undertaken to develop initial awareness raising material to support the re launch of the various fraud related policies once they have been approved for adoption by schools. This will include a poster, leaflet and newsletter template that will be used to share examples of frauds that occur in schools.
- 4.26 A more detailed work programme is being developed for delivery in 2013/14 to help schools ensure they are equipped to reduce their exposure to this type of risk.

Audit Commission's National Fraud Initiative (NFI) 2012

- 4.27 In the last six months, a lot of work has gone into generating, validating and providing the data requested by the Audit Commission for this exercise by both the Counter Fraud Team and service areas. The Council received the data matches back at the end of January 2013. A table summarising the matches received is attached at Appendix 5.
- 4.28 These have now been sent out to the respective departments who will at least investigate the high priority matches. Progress in dealing with them and issues arising from this work will be reported upon in due course.

Audit Commission's Direct Payments Pilot NFI 2013

- 4.29 As previously reported, the Council decided to get involved in the pilot data matching exercise regarding direct payments. As this was the first time this data set had to be produced, some development work was involved. The people receiving the direct payments also had to be contacted to inform them that their data would be used for this purpose. The data was then submitted to the Audit Commission at the end of January 2013.
- 4.30 Once the data matches are received back from this exercise, they will be added to the summary table provided at Appendix 5.

Fraud Awareness Sessions

- 4.31 In January 2013, Jim Gee, the Director of Counter Fraud Services, PKF delivered separate sessions for officers and members, called Maximising Fraud Resilience – Minimising the Cost of Fraud. This looked at what fraud is, why it is important to tackle it, what the potential cost of it is to organisations and how it can be reduced quickly. This highlighted the links between fraud resilience and fraud losses, reinforcing the point that cutting the cost of fraud can make a real contribution in austere times.

5. Future Work Streams

Data Matching

- 5.1 A piece of work is underway to develop an in house data matching service. This project will run for the next six months and call on specialist resources available through the framework contract. A key part of this work is to transfer the necessary skills to the Counter Fraud Team so this can be maintained and developed further once the initial project is complete.

- 5.2 Some discussions are being had with other authorities who have already started to do this work to ascertain whether any internal protocols / risk assessments are required to ensure this is done properly, in compliance with the Information Commissioners requirements.
- 5.3 An exercise has also been undertaken recently to update the standard corporate Fair Processing Notice that is attached to any data collection source. This is important as before data held can be used in this manner, the data subject must be aware of what we are going to do and how we are going to do it.
- 5.4 A list is being compiled of all data covered by this notice and when it was updated. Discussions will then be had with the Information Governance Team as to how best to maintain and share this information going forward.

Data Mining Exercise

- 5.5 A piece of work has been commissioned to undertake advanced data mining to analyse accounts payable data and identify potential fraud and fraud risks (as well as potential cost savings and data quality or efficiency issues). This exercise will cover data from the period 1 April 2011 to end of January 2013. The intention is to undertake this exercise before the end of March after which data matches would be investigated.

Fraud Awareness Sessions for Key Groups

- 5.6 A number of fraud awareness sessions have also been commissioned for 2013/14 with a view to improving staff's awareness of:
- what fraud it
 - how it takes place
 - the damage it does
 - what it costs
 - what can be done to counter it.
- 5.7 This training uses detailed scenarios which allow attendees to understand the nature of what they may encounter. Most importantly, those attending are invited to hypothesise about how fraud could be undertaken in their own work situations. The intention is for these sessions to also include staff from South Essex Homes and schools.

6. Corporate Implications

6.1 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.

6.2 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.

6.3 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.

6.4 People Implications: None

6.5 Property Implications:

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

6.5 Consultation: None

6.6 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.

6.7 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.

6.8 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.

6.9 Community Safety Implications and Environmental Impact:

None

7. 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
- National Fraud Authority, Slipping Through the Net: Staff Vetting Guide for Local Authorities

8. Appendices:

- Appendix 1: Anti Fraud & Corruption Policy and Strategy
- Appendix 2a: Whistleblowing Policy
- Appendix 2b: Whistleblowing Policy for Schools
- Appendix 3: Anti Money Laundering Policy
- Appendix 4: Anti Fraud & Corruption Governance Framework
- Appendix 5: Audit Commission National Fraud Initiative Update