

Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services

to

Audit Committee

on

26th March 2014

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Investigation Services (Thurrock)

Agenda
Item No.

Corporate Counter Fraud and Investigation Plan

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present to the Audit Committee the outline Corporate Counter Fraud and Investigation Plan for 2014/15.

2. Recommendation

- 2.1 **The Audit Committee approves the outline Corporate Counter Fraud and Investigation Plan for 2014/15.**

3. Background

- 3.1 In order to deliver the requirements set out in Fighting Fraud Locally, the Local Government Fraud Strategy it is necessary for the Council to:
- have a robust framework of policies and operational practices that minimise the risk of fraud occurring
 - have the expertise to proactively seek out and investigate fraud in all areas of activity
 - use all possible means at its disposal to do this effectively (including data matching, surveillance, computer forensics and financial investigations).
- 3.2 Therefore the Council is in the process of signing a service level agreement with Thurrock Council to provide it with a counter fraud and investigation service that meets these requirements.
- 3.3 As previously reported, the Council was making good progress towards this model of operation in that:
- it agreed a Corporate Counter Fraud and Investigation Plan in 2013/14
 - the Counter Fraud and Investigation (CF&I) team has been:
 - investigating benefit fraud for many years

- more recently, been involved in proactive work and cases relating to housing tenancy, the use of blue badges, direct payments, and contracts as well as other internal investigations.
- 3.4 However the agreement with Thurrock Council enables the CF&I team to significantly enhance its operational practices as it provides immediate access to:
 - a Head of Counter Fraud and Investigation with extensive experience of investigating frauds in all areas of business activity
 - the advanced investigation tools outlined above.
- 3.5 Council staff will be seconded to Thurrock Council for the duration of the agreement. The Head of Internal Audit will be the contract manager. She will continue to work closely with the Head of Counter Fraud and Investigation at Thurrock Council to provide the Council with:
 - the service required as defined in the Service Level Agreement, Memorandum of Understanding and a supporting the Corporate Counter Fraud and Investigation Plan
 - an effective and co-ordinated counter fraud and investigation and internal audit service.
- 3.6 The intention is to develop staff skills particularly in such areas as financial investigation and data matching so as to create a combined team that operates within a modern, professional, multi disciplinary working environment. The key driver being that it will enable the team, once an offence is proven in court, to be able to seek:
 - **Compensation Orders** for the amount the Court considers appropriate where it can be proved that the Council has suffered distress, personal injury or financial loss, which may also include a sum by way of interest
 - **Confiscation Orders** requiring a convicted defendant to pay the amount he/she has benefited from the crime (under the Home Office Asset Recovery Incentivisation Scheme, the service would receive 37.5% of this order to reinvest in the prevention and detection of fraud)
 - **Profit Orders** for the recovery from defendants of profits made from unlawful sub-letting either following conviction or in separate civil proceedings.
- 3.7 This will enable both Councils to operate a service that is more cost effective, efficient, resilient and comprehensive that can fully investigate to criminal standards, all forms of fraud, corruption, bribery or theft.

4. Corporate Counter Fraud and Investigation Plan for 2014/15

- 4.1 The outline Corporate CF&I Plan attached at **Appendix 1** has been refreshed and updated. Amongst other things, it sets out the:
 - objective for the service
 - principles adopted by the service in determining how it operates
 - key fraud risks facing both Councils (also refer **Appendix 1A**)
 - performance information which will be regularly reported upon.
- 4.2 **Appendix 1B** sets out potential work streams for the year which includes:
 - areas of work required to either maintain or strengthen the Council's overall governance arrangements for preventing and detecting potential fraud

- proactive exercises in a selection of fraud risk areas
 - details of other data matching exercises being delivered
 - time to investigate actual referrals.
- 4.3 In the first year of the agreement, priority will be given to ensuring the governance arrangements of the Council and the new operating arrangements for the service are fit purpose and referrals are investigated. Proactive work will be undertaken as resources allow, focusing on the high priority risks contained in Appendix 1B.
- 4.4 Progress made in delivering the Corporate CF&I Plan will be periodically reported to the Corporate Management Team and Audit Committee.

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.

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

Operating a zero tolerance policy to fraud, corruption, bribery, and misappropriation empowers to service to use all possible tools at its disposal to recover losses incurred by the Council.

5.3 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.

Ensuring compliance with the Fighting Fraud Locally Strategy by delivering the Corporate CF&I Plan will enable the Council to meet this statutory requirement.

5.4 People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings, prosecution or referral to another law enforcement agency
- 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 detection of housing tenancy fraud with assets recovered as a result of criminal activity.

5.6 Consultation

Staff consultation on the proposed secondment arrangements finishes on the 14th March 2014.

5.7 Equalities Impact Assessment

Assessments on the Anti Fraud & Corruption Policy, the Whistleblowing Policy and the Money Laundering Policy are updated whenever the policies are refreshed.

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 this risk cannot be eliminated entirely from its activities, maintaining modern, fully effective counter fraud and investigation and internal audit services will contribute significantly to mitigating this risk.

5.9 Value for Money

A fully 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
- 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
- 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.

7. Appendices

- Appendix 1: Corporate Counter Fraud and Investigation Plan
- Appendix 1A: Understanding Fraud Risks
- Appendix 1B: Counter Fraud and Investigation Service Work Programme