

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for Corporate Services

to

Audit Committee

on

25th June 2014

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Counter Fraud Service Annual Report
Executive Councillor – Cllr Ron Woodley
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present the Audit Committee with a final report on the:
- delivery of the Council's Corporate Counter Fraud Plan for 2013/14
 - Council's compliance with the Fighting Fraud Locally requirements.

2. Recommendation

2.1 The Audit Committee notes the progress made.

3. Corporate Counter Fraud Plan for 2013/14

- 3.1 **Appendix 1** summarises the proactive work done during the year to raise awareness and highlight areas of potential or actual fraud.

4. Counter Fraud & Investigation (CF&I) Service Performance Targets

- 4.1 The full year performance in terms of cases investigated in the various fraud areas against targets, where appropriate, are outlined below.

Housing and Council Tax Benefit Fraud

- 4.2 The CF&I team received 815 Housing and Council Tax Benefit and Department for Work and Pension Benefits referrals during the year.

- 4.3 Of these, the top three types of **'alleged'** benefit frauds were as follows:

- 234 where people were living together
- 138 of non-residence
- 76 where people had income from other sources.

- 4.4 The team investigated 220 cases, which resulted in:

- 27 Summonses being issued for court action

- 12 Administrative Penalties being agreed to the value of £10,964.07, which result in either a 30% or 50% fine based on the level of the identified overpayment
- 7 Formal Cautions being issued for admittance of an offence
- 23 prosecutions
- 178 cases being investigated and closed
- £344,594 of fraud and an additional £94,566 of overpayments were identified by the CF&I team. Overpayments continue to be recovered via normal benefits recovery procedures.

4.5 The team:

- met its target of investigating 200 Housing and Council Tax benefit cases
- delivered 42 sanctions (prosecutions, administration penalties and cautions) compared to a target of 50. Two factors that have impacted on the team's ability to deliver this target are the:
 - loss of a full time equivalent to maternity leave
 - reduction in management capacity in second half of the year which meant there were some delays in getting cases signed off and progressed.

Housing Tenancy Fraud

4.6 This was the first year that housing tenancy fraud was targeted as an area of potential work. During 2013/14, 39 allegations were received of which 21 cases have been closed with no action taken. Of the remaining 18 cases:

- 7 properties have been recovered
- there was 1 tenancy change
- 10 cases are in progress.

4.7 The target for the year was to recover 20 properties, which was not achieved. However this is an area of work which the team intend to focus on developing in 2014/15.

Blue Badge Fraud

4.8 Blue Badge fraud continues to be an issue for the Council. During the year 51 allegations were received of which 21 cases were closed with no action taken. Of the remaining 30 cases:

- 1 Formal Caution was issued
- 16 Warnings were issued
- 12 Blue Badges were recovered
- 1 Blue Badge application was declined.

Corporate Fraud Cases

4.9 The CF&I team received 12 other referrals during 2013/14 and at the time of reporting:

- seven cases are in progress
- in three cases, there was insufficient evidence to substantiate the allegation

- there was evidence to support the allegations made in two cases and appropriate action has been taken.

Audit Commission's National Fraud Initiative (NFI) 2012

- 4.10 **Appendix 2** sets out the position with regard to investigating data matches produced by the Audit Commission's National Fraud Initiative. This exercise is now coming to an end, so this is the last report that the Audit Committee will be provided regarding these data matches.
- 4.11 In summary, from the 6,064 matches identified:
- eight full fraud investigations have been generated
 - 298 system or process errors have been corrected resulting in overpayments of £46,142 being identified.
- 4.12 The next NFI exercise will commence in the latter part of the year when the Council will be asked to provide data to be included in the review.

5. Fighting Fraud Locally

- 5.1 Good progress has been made in strengthening the Council's compliance with the 'Good Governance Framework' based on the requirements of Fighting Fraud Locally. An updated assessment is set out in **Appendix 3**, which shows the final position for the 2013/14 year.

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.

6.2 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.

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.

This proactive and investigative work undertaken by the team as well as the regular monitoring of compliance with the requirements of Fighting Fraud Locally discharges this duty.

6.4 People Implications

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings, prosecution and / or referral to the police
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

6.5 Property Implications

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

6.6 Consultation: None

6.7 Equalities Impact Assessment

The Counter Fraud Service Strategy has been assessed.

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

6.8 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' objectives 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.

6.9 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.

6.10 Community Safety Implications and Environmental Impact: None

7. 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.

8. Appendices

- Appendix 1: Summary of Proactive Work Completed 2013/14
- Appendix 2: 2012 Audit Commission National Fraud Initiative Data Matches Update
- Appendix 3: Anti Fraud & Corruption Governance Framework (Fighting Fraud Locally)