

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for Corporate Services

to

Audit Committee

on

25th March 2015

Report prepared by: David Kleinberg, Group Manager,
Counter Fraud & Investigation / Linda Everard, Head of
Internal Audit

Counter Fraud & Investigation Service Quarterly Performance Report

Executive Councillor – Cllr Ron Woodley

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the progress made in delivering the Council's Corporate Counter Fraud & Investigation Plan for 2014/15.

2. Recommendation

- 2.1 **The Audit Committee notes the progress made in delivering the Corporate Counter Fraud & Investigation Plan 2014/15.**

3. Current Service

- 3.1 **Appendix 1** summarises the work flow of the Counter Fraud & Investigation Directorate ("the Directorate") regarding Southend-on-Sea Borough Council cases, since April 2014. It shows that 829 referrals have been received. Of those that have been accepted as valid potential cases, two thirds have been dealt with and the remainder are under investigation with continuous work being undertaken to resolve those cases expeditiously.

4. National Fraud Initiative

- 4.1 The matches from the current National Fraud Initiative were received in January 2015. **Appendix 2** summarises the matches received, split into categories and those that have already been dealt with.
- 4.2 Progress reports will be produced for the Audit Committee until all matches have been cleared.

5. Status Report, Grant Funded Project

- 5.1 As previously reported, the Directorate received £594k to spend over an 18 month period, to create a multi-agency specialist hub sharing technical expertise with other public authorities such as Registered Housing Providers, Local Councils and other government agencies.
- 5.2 **Appendix 3** sets out the delivery plan and demonstrates that good progress is being made towards delivering the project.

- 5.3 This money has replaced the housing tenancy fraud grant funding previously awarded by the government to fund local authorities to work with Registered Housing Providers to combat tenancy fraud in their housing stock. So it will be used to fund this work with Registered Housing Providers who have housing stock in either council's geographic areas. The Directorate will also expect to get nomination rights for properties recovered and a share of any Confiscation or Profit Orders obtained as a result of this work.
- 5.4 There would be a charge for any service provided to a Registered Housing Provider operating outside councils' geographic areas as this would not be covered by the grant should this be pursued. In addition the Directorate would still want the same financial rewards as outlined.

6. Housing Tenancy Fraud Project

- 6.1 The Directorate commenced a specific project to target housing tenancy fraud across the borough in December 2014, with the short term appointment of a specialist in this area. The project focused on four areas, a key aspect of which is developing good collaborative, working relationships with Registered Housing Providers so intelligence can be shared and resources used in a co-ordinated manner.
- 6.2 **Appendix 4** sets out the targets set and demonstrates that good progress is being made towards delivering them.
- 6.3 In addition, regular informal workshops and awareness raising surgeries have been held with South Essex Homes staff by the Directorate's housing tenancy fraud specialist, when working with them in their offices.

7. Service Development

- 7.1 As previously reported, the Council's counter fraud and investigation service has gone through a period of significant change during 2014/15. Since the Service Level Agreement was signed in October 2014, a lot of work has been undertaken to bring together the operational arrangements of two teams, which has included:
- procuring and implementing a central intelligence and casework management system to ensure that vital material gathered in investigations is captured, assessed, tasked and stored correctly
 - improving access to key ICT systems with the Council's team being given laptop computers for remote and mobile working, strengthening the ability to investigate matters expeditiously
 - delivering a training programme for Council staff in the understanding and application of the Directorate's Investigation Staff Manual, outlining the professional working practices and methods to be used to prevent and detect criminality in the public sector
 - developing a Prosecution Manual outlining the protocol for engagement with the Directorate and Legal Services on pursuing litigation matters in the courts.
- 7.2 Now these essential changes are nearing completion, the Directorate will be well placed in 2015/16 to deliver a programme of work that covers all key activities i.e.:
- maintenance of the fraud and corruption governance framework
 - targeted proactive work programmes in key fraud risk areas

- comprehensive investigations when allegations are made.

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.

8.2 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.

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.

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.

8.4 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 and compensation and costs as appropriate.

8.5 Property Implications

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

8.6 Consultation: None

8.7 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.

8.8 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.

8.9 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.

8.10 Community Safety Implications and Environmental Impact: None

9. Background Papers

- Fighting Fraud Locally, The Local Government Fraud Strategy
- CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
- Association of Local Authority Risk Managers (ALARM) Publication: Managing the Risk of Fraud
- CIPFA Publication: Managing the Risk of Fraud
- Audit Commission: Protecting the Public Purse: Fighting Fraud Against Local Government.

10. Appendices

- Appendix 1: Southend-on-Sea Borough Council Case Summary to 4 March 2015
- Appendix 2: National Fraud Initiative Data Matches Update 27 February 2015
- Appendix 3: Status Report, Grant Funded Project
- Appendix 4: Status Report, Housing Tenancy Fraud Project.