

Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services

to

Audit Committee

on

20 January 2016

Report prepared by: David Kleinberg, Group Manager
Counter Fraud & Investigation & Dan Helps,
Investigation & Forensics Manager

**Agenda
Item No.**

Counter Fraud & Investigation Directorate: Quarterly Performance Report
Executive Councillor – Councillor Ron Woodley
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Committee on the progress made in delivering the Corporate Counter Fraud & Investigation Strategy for 2015/16.

2. Recommendation

- 2.1 The Audit Committee notes the Directorate's performance to date.**

3. Corporate Counter Fraud & Investigation Work Programme

- 3.1 The work programme consisted of four main strands:
- assessing compliance with relevant national frameworks
 - delivering:
 - a proactive programme of counter fraud work
 - Team Management Development Projects designed to fully integrate the working practices of the combined team and two councils.
 - investigating allegations of fraud, corruption, bribery and theft made to the Directorate.
- 3.2 The Directorate also received Government funding to spend during 2015/16 on developing the service against the business case submitted.
- 3.3 The Directorate's ability to deliver all aspects of the plan is influenced by both the volume and complexity of allegations received and the level of staff resources available during the year.
- 3.4 The current status of each of these work streams is summarised below.
- 4. Fighting Fraud Locally**
- 4.1 The original Local Government Fraud Strategy ran from 2012 to 2015. The Council has periodically assessed its compliance with this Strategy during this period and reported it to the Audit Committee.

4.2 There was an expectation that it was to be refreshed and reissued during 2015 so limited work has been done in this area although the current assessment did inform the Directorate's work programme for the year. It is now understood that the updated draft Strategy is in the process of being finalised. It is expected to be published within the next couple of months. The Council's arrangements will be assessed against the new Strategy once it is available.

5. Proactive work programme

5.1 **Appendix 1** sets out the current status of all the activities proposed in the Strategy for the year. The main areas of work that the Directorate has focused on to date, given the investigative caseload and resources available, has been:

- Housing Tenancy fraud
- Insurance fraud
- Social Care fraud
- National Fraud Initiative.

5.2 The **Housing Tenancy Fraud** project continues to go from strength to strength where a noticeable increase in referrals for investigation has been realised. Work continues in this area with South Essex Homes as well as other social housing providers such as Estuary Housing.

5.3 In order to develop both **awareness and referrals of potential frauds in new service areas**, each team member has been allocated an area to specialise in. They will be the key link with the service and others in relation to their allocated fraud risk. This approach has proved to be very effective with both insurance and social care whereby:

- one detected insurance case alone is valued at £150k
- indications of potential criminal misuse of welfare support are now being referred to the Directorate by staff, which helps protect vulnerable people.

5.4 **Appendix 2** summarises the number of **National Fraud Initiative** Data Matches received, split into categories and those that have already been dealt with. Action is now being taken to obtain target completion dates for those data sets with outstanding matches to be reviewed.

6. Team Management Development Projects

6.1 The Directorate only managed to recruit to its Investigations & Forensics Manager post in September 2015. As a result, limited progress has been made in progressing many of the projects set out in **Appendix 3**. Now that the management structure of the Directorate is complete and this work can be progressed, new implementation dates have been proposed.

7. Investigative caseload

7.1 In November 2015, all remaining housing benefit investigations were fully transferred to the Department of Works and Pensions (DWP) Single Fraud Investigation Service in line with national arrangements. Any cases where the Directorate completed the investigation prior to the transfer will be included in its year end caseload figures once the final outcome is advised by the DWP.

7.2 Despite this, the Directorate's investigative workload remains high although the cases now involve other types of fraud. This is reflected in **Appendix 4** which summarises Southend-on-Sea Borough Council cases for the 2015/16 financial year.

7.3 **Appendix 5** provides more detailed information and some case studies regarding the investigative work the Directorate has undertaken this year to date.

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 Regulations 2015 Section 3 requires that:

The relevant authority must ensure that it has a sound system of internal control which:

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

The work of the Directorate contributes to the delivery of this.

8.4 People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek 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: None

8.8 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 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 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.

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
- Audit Commission: Protecting the Public Purse: Fighting Fraud Against Local Government.

10. Appendices

- Appendix 1: Proactive Work Programme as at 31 December 2015
- Appendix 2: 2015 National Fraud Initiative Data Matches Update December 2015
- Appendix 3: Team Management Projects 2015/16
- Appendix 4: Counter Fraud & Investigation Directorate, Southend-on-Sea Borough Council Case Summary to 31 December 2015
- Appendix 5: Supporting summary regarding investigative work