

Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services

to

Audit Committee

on

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Agenda
Item No.

Counter Fraud & Investigation Directorate: Annual Report

Executive Councillor – Councillor Ron Woodley

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To present to the Audit Committee for consideration the:

- Counter Fraud & Investigation Directorate's (the Directorate) Annual Report for 2015/16
- Corporate Counter Fraud & Investigation (CF&I) Strategy for 2016/17

2. Recommendation

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

2.2 The Audit Committee endorses the 2016/17 Corporate Counter Fraud & Investigation Strategy.

3. Corporate Counter Fraud & Investigation Directorate - Annual Report

3.1 The joint working arrangements with Thurrock Council have been operational since October 2014. This 17 month partnership has seen significant improvements in the technical abilities and resilience at Southend to increase the effectiveness of the counter fraud services and further the Council's anti-fraud culture.

3.2 In the last 12 months the Directorate has detected fraud worth **£1.88m** at Southend Borough Council against a previous historic high, before the partnership, of **£388k** per annum. **Appendix 5** outlines how this fraud figure is calculated using the government's standards.

3.3 The Directorate has also been successful in using the Proceeds of Crime Act to recover money taken by criminals. In this year is **£45,764** has been recovered.

3.3 The government's **£594k** grant funding, given to the Directorate in 2014 to further expand its partnership approach, has positioned the unit as a national leader in tackling fraud in local government.

3.4 This grant project has seen the work of the Directorate detect **£18,540,614** on behalf of eight local authorities, including at Southend and Thurrock, four housing associations and two government departments.

3.5 A report detailing the progress of the unit is detailed in **Appendix 1**.

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 Responsibility for the reviewing and production of this strategy sits with the Chartered Institute of Public Finance and Accountancy (CIPFA) after the demise of the Audit Commission and National Fraud Authority. The draft revision is currently awaiting approval by the Cabinet Office and this is anticipated in April 2016.

5. Proactive work programme

- 5.1 **Appendix 2** sets out the current status of all the activities proposed in the Strategy for the year. The main areas where 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. **Operation Domus** is commencing in April which will see all local authorities and social housing providers come together to unify against fraud to safeguard the national asset of housing. The Directorate is leading the operation with partners seconded to it from Essex Police, DWP, HMRC and housing providers.
- 5.3 **Appendix 3** 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. Counter Fraud & Investigation Strategy for 2016/17

- 6.1 A plan for the delivery of projects to further the anti-fraud culture across the Council and with its partners is detailed in **Appendix 4**.

7. Investigative Caseload

- 7.1 The work undertaken by the Directorate to mitigate the fraud risk at the Council is detailed in **Appendix 5** which describes the flow of casework.
- 7.2 This case summary also show the first income generated by the Directorate using its powers under the Proceeds of Crime Act, which is **£45,764** in this year.

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: CF&ID Annual Report
- Appendix 2: CF&ID Proactive Work Programme
- Appendix 3: 2014/15 National Fraud Initiative Data Matches Update
- Appendix 4: Counter Fraud & Investigation Strategy 2016/17
- Appendix 5: Southend-on-Sea Borough Council Case Summary