

Southend-on-Sea City Council

Finance & Resources Service

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Counter Fraud & Investigation Team

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Appendix 3 – Benchmarking report

Introduction

Southend-on-Sea City Council's (SCC) Audit Committee have expressed an interest in benchmarking the Counter Fraud & Investigation Team's (CFIT) resourcing. This exercise is useful in determining how CFIT's resources compare to other local authorities.

Executive summary

13 Local authorities with a similar profile to SCC were approached for information on the resources they provide to Counter Fraud. 12 responses were received. It was found that most respondents provided a dedicated Counter Fraud service. SCC's Counter Fraud budget is comparable to, but slightly less than, the most well-funded Councils and that CFIT's staffing level and capabilities is comparable to the most well-resourced Councils.

Methodology

13 Local authorities were identified that had a similar profile to SCC in that they were Unitary Authorities serving a similar population (183,453 +/- 50,000):

Southend-on-Sea City Council (183,453)

Bedford Borough Council (174,678)

Luton Borough Council (213,052)

Peterborough City Council (204,500)

Portsmouth City Council (205,100)

Reading Borough Council (162,666)

Slough Borough Council (164,000)

Stockton-on-Tees Borough Council (197,213)

Swindon Borough Council (222,193)

Telford & Wrekin Co-operative Council (179,900)

Warrington Borough Council (210,014)

Royal Borough of Windsor & Maidenhead Council (151,422)

Wokingham Borough Council (167,979)

City of York Council (153,717)

Freedom of Information Act requests (FOIs) were sent to each authority asking the following questions:

1. Do you have a dedicated Counter Fraud Team?
2. If no, what is your Counter Fraud provision?
3. Are you part of a shared Counter Fraud Service? Please provide name and parties to the service.
4. What is your current annual Counter Fraud budget (or contribution to the shared service if applicable)?
5. What is your FTE complement of dedicated Counter Fraud Investigators (or contribution to the shared service if applicable)?



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6. What is your FTE complement of dedicated Counter Fraud Intelligence Officers (or contribution to the shared service if applicable)?
7. Does your Counter Fraud Team or shared service use a Case Management System? Please provide the name and supplier?
8. Do you employ Counter Fraud Investigator Apprentices? Please provide number and your training provider.

Results

The answers to these questions from SCC, for comparison are:

1. Do you have a dedicated Counter Fraud Team? **Yes**
2. If no, what is your Counter Fraud provision? **N/A**
3. Are you part of a shared Counter Fraud Service? Please provide name and parties to the service. **No**
4. What is your current annual Counter Fraud budget (or contribution to the shared service if applicable)? **£216,350**
5. What is your FTE complement of dedicated Counter Fraud Investigators (or contribution to the shared service if applicable)? **4**
6. What is your FTE complement of dedicated Counter Fraud Intelligence Officers (or contribution to the shared service if applicable)? **0**
7. Does your Counter Fraud Team or shared service use a Case Management System? Please provide the name and supplier. **No**
8. Do you employ Counter Fraud Investigator Apprentices? Please provide number and your training provider. **Currently awaiting a decision on funding for one apprentice.**

12 responses were received with Warrington being the only Council that failed to reply. These responses are summarised below.

A dedicated Counter Fraud Team or Service

58% (7 Councils) have their own dedicated Counter Fraud team.

25% (3¹ Councils) stated that fraud investigation activities were provided as part of their Internal Audit Service.

34% (4 Councils) have their Counter Fraud activity delivered by a shared service. 2 respondents (Windsor and Wokingham) were part of the same shared service.

One Council (8%) stated that its Counter Fraud service was provided by the equivalent of 1.3 full time officers across several sectors and one of the Councils that provides a Counter Fraud service through Internal Audit employs full-time investigators.

SCC appears to be with the majority in providing a dedicated Counter Fraud Team or Service.

Annual Counter Fraud budget

7 Councils were able to provide a figure for their annual Counter Fraud budget.

These ranged from £100,800 (Telford) to £263,100 (Slough). The mean annual budget is £182,163. The median is £160,000.

¹ 2 of these Councils used a shared service and the other used dedicated fraud investigators within the Internal Audit Team. The first 2 are also counted in the shared service statistic and the last is included in the dedicated Counter Fraud team statistic.

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The budgets appear to fall into two categories:

- Lower £100,800 to 160,000 (4 Councils) and
- Higher £230,764 to £263,100 (3 Councils).

SCC (£216,350) falls into the higher budget category but below the other Councils in this category.

If SCC was included in the list, it would come 4th out of 8.

The Counter Fraud spend per resident ranged from £0.51 (Swindon) to £1.70 (York). The mean spend per resident is £1.03. SCC's spend per resident is £1.18. Unsurprisingly, these fall into the same two categories as described above containing the same Councils with the division being £1.00 per person.

If SCC was included in the list, it would come 3^d out of 8.

The Councils that provide a fraud service through Internal Audit were unable to provide a specific Counter Fraud budget as there wasn't one. Although the Council that employs full-time investigators in its Internal Audit Team stated that the only dedicated budget was for their salaries and software licences (£85,000).

SCC's Annual Counter Fraud budget compares favourably against other Councils being in the top half by all the measures described above although somewhat behind the leaders.

Counter Fraud staffing levels

The number of full-time equivalent dedicated fraud investigators employed by the respondents ranged from none to 4. Four Councils had 3 or more dedicated investigators.

2 (17%) Councils claimed that this function was combined with the Internal Auditors as they had shared skill sets.

York Council is party to a shared service agreement and stated that they had access to 9 fraud investigators and 3.8 senior fraud investigators, but this service was shared by 9 Councils equating to less than 2 investigators per Council. Luton Council is part of a shared service that provides access to 4 investigators but is shared by 7 Councils. Windsor and Wokingham Councils share a joint Internal Audit / Counter Fraud service where they have no dedicated fraud investigators claiming that there are shared skill sets.

4 (34%) Councils reported employing intelligence officers, and these were no more than one each.

1 Council (Slough) employed 4 investigators and 1 intelligence officer which is the highest staffing level outside of a shared service. This includes a Financial Investigator (FI) and this was the only Council to declare an FI².

Swindon Council was the only respondent to employ a Fraud Investigator apprentice.

SCC, with 4 dedicated Fraud Investigators (one of which is now an FI) and no Intelligence Officers, would be tied in 2nd place in terms of staffing levels, discounting shared services. Furthermore, if we are successful in recruiting a Fraud Investigator apprentice, this would put the team ahead of the others in terms of ability and resources, discounting shared services.

² It should be noted that the Councils were not asked to declare whether they employed Financial Investigators.

Case Management Systems

CFIT operate a case management system that was devised in house. This is a simple and efficient way of managing the caseload and there is no intention currently to seek a third-party case management solution. This question was added for the information of the CFIT management to see what other fraud teams are using.

2 Councils reported using their own solutions. There was no consensus on the case management systems used but the most popular were InCase (Intec for Business, 3 Councils) and Opus (Datatank, 2 Councils).

Conclusions

SCC's Counter Fraud provision is broadly in line with other comparable local authorities. There are examples of poor funding and resources and among the sample 3 respondents had no dedicated fraud investigators. There are 3 Councils that have delegated Counter Fraud activity to their Internal Audit Teams, one of which employs dedicated investigation officers, albeit only 2.

The claim that Internal Audit and Counter Fraud have shared skill sets is debatable. While there is some crossover between the roles, the evaluation of internal controls and risk management is very different from criminal investigation. The knowledge and skills required to lawfully gather evidence to the criminal standard and present the findings to a court are very different from the requirements of internal audit work.

CFIT now has an FI and is currently training another officer in this discipline and is bidding for funding to recruit a Fraud Investigator apprentice. If successful, this would put CFIT's resources and capabilities beyond nearly all the Councils surveyed.

While SCC's funding and staff levels are in the top half of the Council's surveyed, it is not the highest while being well above the lowest. This is not a request for increased funding and resources for CFIT; that case is better made based on the team's workload, activity and success.

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