

# Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services

to

**Audit Committee**

on

**21 September 2016**

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Agenda  
Item No.

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**Counter Fraud & Investigation Directorate: Status Report**

**Executive Councillor – Councillor Moring**

*A Part 1 Public Agenda Item*

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## **1. Purpose of Report**

- 1.1 To update the Audit Committee on the progress made in delivering the Corporate Counter Fraud & Investigation Strategy for 2016/17.

## **2. Recommendation**

- 2.1 **The Audit Committee notes the Counter Fraud & Investigation Directorate's performance to date.**

## **3. Performance**

- 3.1 The work programme consists of three main strands:

- Assessing compliance with relevant national frameworks
- Delivering a proactive programme of counter fraud work
- Investigating allegations of fraud, theft, bribery, corruption and money laundering offences, reported to the Directorate.

- 3.2 The current status of each of these work streams are detailed in this report, supported by individual appendices.

- 3.3 The formation of the government's Single Fraud Investigation Service in the Department for Work and Pensions now sees all housing and council tax benefit fraud work is managed outside of the Council. The Directorate does still have remaining responsible for progressing 'legacy' housing and council tax benefit fraud cases that were progressed into the judicial system.

- 3.4 **Appendix 1** outlines the flow of cases into the directorate for this year since 1<sup>st</sup> April 2016.

- 3.5 A number of successful outcomes have been achieved in different areas of the council where emerging threats are being seen. These have been detailed in **Appendix 2**.

#### 4. Fighting Fraud & Corruption Locally

- 4.1 The original Local Government Fraud Strategy (Fighting Fraud Locally) 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 rests with CIPFA, supported by the Home Office and Cabinet Office who produced a revised strategy in May 2016.
- 4.3 The Directorate are now reviewing the council's compliance with this new strategy and will report on this at the next committee.

#### 5. Proactive work programme

- 5.1 **Appendix 3** 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 with a noticeable increase in referrals for investigation being seen.
- 5.3 The government funded Counter Fraud Fund project, led by the Directorate resulted in **Operation Domus** being launched at an event on 5<sup>th</sup> July. A number of speakers appeared at the event including a keynote from Mike Gattrell, Chief Executive, South Essex Homes and Steve Worrton, Assistant Chief Constable, Essex Police.
- 5.4 Those invited to the launch included Local Authorities, Registered Housing Providers, Essex Police, Essex Fire & Rescue, Gang Masters Licencing Authority and others. A programme of collaborative work between the partners is now underway to reduce the harm to communities from fraud and other acquisitive crime in a social housing setting.
- 5.5 The directorate are also working closely with Internal Audit in relation to their scheduled audits on the Right to Buy and Housing Allocations process. The business learning from this work will be used to inform increased protection from fraud threats, where necessary.
- 5.6 Input from the directorate into the Housing Allocation process, to show areas that can be strengthened, have already been included in the preliminary recommendations made by Internal Audit.
- 5.7 South Essex Homes will be delivering some work in housing allocations from the council. The directorate have agreed to provide training to SEH staff and provide input into the procedures and policies that SEH will be implementing.

#### 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. Fraud Awareness Training

- 7.1 The directorate is on track with its plan of fraud awareness training to all departments within the council and Members. Training events are scheduled to commence in September.

## 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.
- PKF Fraud Indicator Report

## 10. Appendices

- Appendix 1: Case Summary
- Appendix 2: Recent Case Examples
- Appendix 3: Proactive Work Programme
- Appendix 4: 2016/17 Corporate Counter Fraud and Investigation Strategy