

15 March 2016		ITEM: 5
Standards and Audit Committee		
Counter Fraud & Investigation Annual Report, Policy & Strategy		
Wards and communities affected: All	Key Decision: N/A	
Report of: Daniel Helps, Investigation Manager, Counter Fraud & Investigation		
Accountable Head of Service: N/A		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		
Date of notice given of exempt or confidential report: N/A		

Executive Summary

It was reported previously that the Counter Fraud functions within the authority would join together as one unit known as the Counter Fraud & Investigation Directorate. The Counter Fraud & Investigation Directorate (CFID) is now operational and has sole responsibility to prevent, detect and deter all instances of alleged economic crime affecting the authority including: allegations of fraud, theft, corruption, bribery and money laundering.

In support of this single centralised approach, a new Anti-Fraud & Corruption Policy has been drafted and adopted through the Authority. This takes account of the current fraud landscape and best practice around the UK ensuring a coordinated approach is taken.

The CFID has had many successes with this Authority and other partner Authorities, including those who buy-in services from CFID. CFID has now been recognised nationally as the leading Local Authority fraud service and as a model for the approach to tackling fraud and corruption in the future.

1. Recommendation(s)

1.1 The Committee notes the performance of CFID

1.2 The Committee notes the acknowledgment of the services provided by CFID

2. Introduction and Background

- 2.1 The new approach to tackling the effects of economic crime on the Council seeks to enhance the assurance over the system of controls but also ensures consistency in the Council's response to fraudulent activity, perpetrated against Council services.
- 2.2 The new centralised service will share the resources currently present through the developed partnerships with the Ministry of Justice and Southend Borough Council. The new enlarged service brings additional benefits to the Council with a balanced and proportionate use of Proceeds of Crime Act to take redress.

3. Partnership Working and Performance

Partnership Working and Services

- 3.1 CFID continues to work in a partnership with Southend Borough Council. New processes have now been implemented to ensure that all reports of fraud and now centralised with the Intelligence Unit based at Thurrock Council.
 - 3.1.1 CFID is working with the Ministry of Justice in relation to a large scale fraud investigation where CFID are the lead investigating agency. At this time further information cannot be made public due to the ongoing investigation and actions.
 - 3.1.2 CFID has provided services to other Local Authorities at costs to enable the furthering of investigations that were being conducted by these authorities. Without the assistance from specialist officers of CFID [such as Computer Forensic and Cyber Crime Investigators, Financial Investigations and Surveillance Experts] the investigations conducted by other agencies may not have continued, or where they had the scale of the fraud would not have been discovered.

Counter Fraud & Investigation Performance

- 3.2 From April 2015 and ending 31st January 2016, 608 referrals were received across the work areas of CFID. Of those that have been accepted as valid potential cases, over half have been dealt with and the remainder are under investigation with continuous work being undertaken to resolve those cases expeditiously. Full reporting with breakdowns of referral by service areas, agency and outcome will be made available at end of year reporting
 - 3.2.1 CFID have taken action, where possible, to recover losses that were identified as coming from fraudulent activity. **Appendix 1** shows the levels of recovery.
 - 3.2.2 CFID have restrained assets from suspected fraudsters to ensure that redress can be made once a fraud is within the court system. There are currently a large amount of assets restrained in relation to investigations that are not

currently at the court stage. Due to reporting restrictions these figures cannot be made available at this time.

- 3.2.3 CFID are currently investigating a number of sensitive allegations. Relevant senior officers with the Authority are aware along with the section 151 officer.
- 3.2.4 Since its inception CFID has detected fraud across this Authority and others of more than £10 million. CFID continues to publicise successes through engagement with media and communication teams.
- 3.2.5 CFID are no longer responsible for the investigation of Housing Benefit fraud – The Department for Work & Pensions and solely responsible for Housing Benefit Fraud Investigation through their Single Fraud Investigation Service. CFID, as required, have handed over all casework to the DWP, with the exception of investigations that are already within the court system

Corporate Counter Fraud Delivery

- 3.3 **Appendix 2** sets out details of all the service areas within the Authority that have received fraud awareness training. The delivery of fraud awareness training is a rolling project and will continue indefinitely. Positive feedback has been received from a number of service areas, a number of areas have also requested additional training due to the 'excellent feedback' received from staff.
 - 3.3.1 The three main work areas for 2015/16, to continue its development are:
 - producing and rolling out a standard governance framework that can be tailored by each organisation working with CFID
 - formalising work arrangements with other key services within the Council and finalising performance reporting arrangements for the team
 - delivering a targeted programme of proactive work in service areas that carry inherently higher fraud risks.
 - 3.3.2 **Appendix 3 and 4** shows the work in plan in details with specific work flow for different service areas.
 - 3.3.3 The approach being adopted and delivered is:
 - rollout a Subject Matter Expert from CFID to each service area. This has proved to be key to ensuring that fraud is reported with the notion of 'a face to name' and not only a service areas title.
 - deliver key targeted anti-fraud training to those areas supported by service specific anti-fraud guides
 - utilise the new data analytics tool across service areas to improve identification of fraud risks

4. Reasons for Recommendation

- 4.1 This report provides a detailed update to the Committee on the improved counter-fraud measures for the Council.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 All Directors and Heads of Service were consulted with the new strategy to be taken by the Council in its anti-fraud approach.

6. Impact on corporate policies, priorities, performance and community impact

6.1 Work undertaken by to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities supporting corporate governance.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Head of Corporate Finance

There are no financial implications contained in this report.

7.2 Legal

Implications verified by: **David Lawson**
Monitoring Officer, Deputy Head of Legal Services

The Accounts and Audit (England) Regulations 2015 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 Directorate as well as the regular monitoring of compliance with the requirements of Fighting Fraud Locally discharges this duty.

7.3 Diversity and Equality

Implications verified by: **Rebecca Price**
Community Development Officer

There are no implications related to this report.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None.

9. **Appendices to the report**

Appendix 1 – Redress in form of orders made under Proceeds of Crime Act

Appendix 2 – Service areas which have received fraud awareness training

Appendix 3 – Proactive workflow details

Appendix 4 – Team management projects

Report Author:

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Counter Fraud & Investigation