

5 March 2014		ITEM: 8
Standards and Audit Committee		
Counter Fraud Services – Progress Report		
Report of: Councillor John Kent		
Wards and communities affected: All	Key Decision: For Information Only	
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Graham Farrant, Chief Executive		
This report is Public		
Purpose of Report: To present the Audit Commission’s “Protecting the Public Purse” briefing and to inform the committee of progress made by the Fraud Investigation Department in preventing & detecting fraud and corruption.		

EXECUTIVE SUMMARY

The Fraud Investigation Department (FID) provides a fraud prevention and detection service to the Council, currently identifying and reducing benefit overpayments generated by fraudulent claims. The service went through a fundamental review in January 2013 by the new Fraud Investigation Manager and the service was improved to better identify and combat the threat of fraud.

The Audit Commission’s Fraud Briefing 2013 for Thurrock Council highlights the need to improve our response to the threat from all types of fraud, not just benefits and tenancy. This report outlines the improvements made to the Council’s response to fraud risk and an outline of the leading counter-fraud strategies.

1. RECOMMENDATIONS:

- 1.1 That the committee notes the Audit Commission’s briefing and the update on the Council’s approach to Anti-Fraud activity, including the draft Corporate Fraud Work Plan.**

2. INTRODUCTION AND BACKGROUND:

- 2.1** The Council’s current Anti-Fraud & Corruption Strategy from 2007 installed a defined response to fraud and corruption at the council outlining the key roles and responsibilities. This is now an outdated model for the following reasons.

- **Council fraud information not being shared**
 The Fraud Investigation Department (FID) was refreshed by the new manager at the start of 2013 to bring a new approach to fraud in a corporate model ensuring that there was a response plan to all fraud risks. Currently the Council has a Housing Investigation Team who, due to restrictions placed on the Council by the Home Office, are unable to use the expert resources within the Fraud Investigation Department. The Fraud Investigation Department is equipped to tackle all allegations of fraud including serious and organised elements with the introduction of the new and improved resources.
- **Corporate fraud risk assessment**
 Prior to 2013 although Council had an Anti-Fraud Strategy no fraud response plan was present. The draft Fraud Work Plan introduces a proactive response to all areas of fraud risk, far exceeding the baseline model introduced by the Fighting Fraud Locally strategy. This plan provides assurance to the Council that the threat from fraud is properly assessed and incidents of irregularity are fully investigated.
- **Proceeds of Crime Act (POCA) capabilities not being fully realised**
 Thurrock Council was right to take a lead in the introduction of a Proceeds of Crime capability with progress being made to use the powers effectively. In 2013 these powers were used in a more targeted approach against serious criminals who sought to commit fraud against Thurrock Council and who benefited considerably from their crimes. The POCA service delivery was also streamlined by the department ensuring that the use of the Confiscation regime available to the Council to take redress against convicted offenders was more effective.

2.2 The current Fraud Investigation Manager was tasked with undertaking a comprehensive review of the Council's response to fraud in January 2013. Thurrock FID changed working practices to a more combative and effective anti-fraud body. The following new methods and tools were introduced:

- Approved direct access to Police Information (the only council to have such access)
- A proactive Proceeds of Crime investigative service
- Introduction of national joint working protocols with every police force and other law enforcement agencies
- Standardised investigative response plans
- Programme of fraud awareness and improved training
- Introduction of an expert Forensic Computing Service to handle retrieval of material from computers and mobile phones

2.3 These changes created new opportunities for Thurrock to develop new and innovative methods to ensure the public purse is protected from fraud, whilst increasing its capacity to take redress from losses. Those opportunities are now in place with working partnership models introduced.

- **Ministry of Justice**

The Fraud Investigation Department was called upon by the MoJ to provide expert criminal investigation services to tackle serious and organised fraud on their behalf. This national joint working arrangement sees MoJ's staff seconded to Thurrock Council bringing a skills transfer between staff as well as the ability to share the resources on both sides of the partnership to tackle both Thurrock Council and MoJ fraud.

- **Southend-on-Sea Borough Council**

The Council's Fraud Investigation Manager was initially shared across both Thurrock and Southend Councils to identify opportunities to share resources and best practice in a strategic combined counter fraud strategy. This initial 4 month trial identified excellent service resilience models as well as the support available to bring the working Corporate Fraud Work Plan across both councils. The councils have now agreed to a 3 year arrangement, with Southend's entire fraud service being seconded to Thurrock Council to create one central strategically driven fraud service.

- **Department for Work & Pensions**

Nationally, the DWP are undergoing a review of their Fraud Investigation Service delivery with a draft model of a Single Fraud Investigation Service, yet to be fully designed, being introduced. The plan would see the Council's, DWP and HMRC staff being pooled to create a new national service. Significant issues were identified in this plan including the withdrawal of HMRC from the programme as well as the project leaders not fully understanding the TUPE issues with taking on Local Authority staff nationally. These issues are still to be designed out of the project delivery plan with no expected introduction date given by government. Until SFIS has a working model, Thurrock Council and the DWP local Fraud Investigation Service have installed their own proactive joint working plan, which will see DWP investigators seconded to Thurrock Council. These seconded officers will provide a real time immediate response to benefit fraud allegations removing delays in information sharing and providing a dedicated resource to Thurrock.

- **Social Housing Fraud Grant**

At the request of the Head of Housing, the Fraud Investigation Manager was called upon to assist Housing by applying directly to the DCLG for the Social Housing Fraud Grant. Every council in the UK was eligible to apply as long as they had a plan to tackle Social Housing Fraud in the future. The DCLG agreed that the expert resources present in the Fraud Investigation Department and its plan to deliver the council's anti-fraud work provided the assurance that the money will be spent effectively. The plan relied on the centralisation of all fraud services in the Council from every service, including the Housing Investigation Team to the Fraud Investigation Department. Based on the Fraud Investigation Manager's counter fraud plan the DCLG awarded a £200k grant to Thurrock Council (the highest nationally for a non-

metropolitan/city council), being one of only 49 councils nationally who were successful from the 433 councils in the UK who were eligible.

- 2.4 The Audit Commission report – Protecting the Public Purse shown at Appendix 1, demonstrates where Thurrock Council was previously lacking in its response to Corporate Fraud.

The former strategy has not responded to the threat of corporate fraud. With the improved practices of the new Fraud Service, and all anti-fraud functions working to create a single corporate fraud function, Thurrock Council would identify fraud in these areas and be well equipped to efficiently combat it. The reasons for this are as follows:

- National protocols for counter fraud information and intelligence access
- A fraud work plan to proactively identify and respond to all fraud risk
- MOJ and DWP partnerships introducing a greater cross-government immediate response to fraud risk
- Internal service cohesion with the Housing Investigation Team responsibilities moving to Fraud Investigation Department
- Effective sanction and redress standards and results
- Shared Southend-on-Sea Council resources, doubling the fraud service capabilities

- 2.5 The draft fraud work plan introduced by the Fraud Investigation Department exceeds the recommended response defined in the Fighting Fraud Locally strategy providing a greater and more resilient resource drawn from not only Thurrock Council but that of Southend-on-Sea Council, Ministry of Justice and the Department for Work and Pensions. It is clear this innovative and unique approach takes the idea of joint working to another level producing great benefits to the council.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

- 3.1 To agree the draft Corporate Fraud Work Plan enclosed at Appendix 2.

4. REASONS FOR RECOMMENDATION:

- 4.1 This report provides an update to Members of the committee on the counter fraud service and the introduction of the Corporate Fraud Work Plan. The Audit Commission Protecting the Public Purse Fraud Briefing outlines the previous gaps present in the council's response to corporate frauds, which the Corporate Fraud Work Plan rectifies, exceeding the baseline strategy prescribed.

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

- 5.1 There has been no consultation on the contents of this report.

6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

The draft Corporate Fraud Work Plan introduces a targeted anti-fraud programme delivering assurance to the Council. The plan increases the proactive baseline to fraud defined in the Protecting the Public Purse by the introduction of cross-government shared services installing resilience to existing corporate policies and complementing the councils priorities.

7. IMPLICATIONS

7.1 Financial

Implications verified by: **Sean Clark**
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There are no specific implications from this report.

7.2 Legal

Implications verified by: **David Lawson**
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There are no specific implications from this report.

7.3 Diversity and Equality

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There are no specific implications from this report.

7.4 Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

There are no specific implications from this report.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- There are various working papers within accountancy.

APPENDICES TO THIS REPORT:

- Appendix 1 – Presentation Protecting the Public Purse Fraud Briefing
- Appendix 2 – Corporate Fraud Work Plan

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