

Update on the Fraud and Data Service

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Purpose

To update Audit Committee (AC) on current issues around the Fraud and Data Service; particularly resourcing, for fraud matters and data protection work

Recommendation

That the issues facing the Fraud and Data Service be noted.

Background and Update on Key Issues

During the past 6 months there have been significant changes to the Fraud and Data Service: -

1. The existing Investigations' Team transferred to Department of Work and Pensions (DWP), as part of Single Fraud Investigation Service (SFIS), in June 2015. With the transfer, all responsibility for investigating housing benefit fraud transferred too. Importantly, though, the investigation of Council Tax Support/Reduction fraud (CTR) etc remains with SSDC as well as a whole tranche of the team's other workload which did not transfer e.g. management of the National Fraud Initiative (NFI) data match work for the whole council. Additionally, of course, the proactive corporate fraud work to prevent, detect and punish fraud remains.
2. Tom Chown, the Fraud and Data Intern left on the 31st August 2015 and his work in progressing corporate fraud work will be missed. A new Intern, Jack Chant, started on the 9th November 2015 and is developing his knowledge of fraud matters.
3. The Fraud and Data Manager (FDM) took flexible retirement from the 1st August 2015 and is now contracted to work 21 hours per week on corporate fraud, data management and major contract issues. In reality, with leave and extra leave extracted, this amounts to a little over 2 days a week (without any allowance being made for training, corporate matters and sick leave etc) and so there is, effectively, very little internal resource to cover these areas.
4. The loss of the Investigations Team is matched by the loss of the DWP subsidy to fund investigations. A sum of £50K p.a. was included in the Medium Term Financial Plan (MTFP) to resource fraud work £15K of which was used in point 5 below.
5. A successful joint bid (led by Taunton Deane Borough Council with West Somerset District Council and SSDC) to the Department of Communities and Local Government (DCLG) delivered a total of £110K available over a 2 year period for corporate fraud work. The funds are subject to match funding by the 3 councils (£15K p.a. for SSDC) and achieving the saving targets set out in the bid so is not guaranteed.

6. The total funding received has been used to establish a separate, shared investigations team under the auspices of the South West Audit Partnership (SWAP) called the South West Counter Fraud Team (SWCFT). The team is led by Nick Hammacott who transferred from his auditor role. Two Investigation and Intelligence Support Officers have been recruited; each of whom has a law related degree. The new staff will receive specialist investigation training in the last quarter of 2015/16 to enable them to deal with criminal investigations and court preparation.
 7. At present there is no legal agreement in place for the SWAP arrangement but more importantly the agreement to deal with data protection issues – which is a legal requirement, is still outstanding. These documents have been drafted and it is hoped that the data protection issue, at least, will be resolved soon.
 8. Incidentally, the Council has to report, publically and to the Government, on the resources allocated to counter fraud work. There is a clear expectation from government that councils will be proactively fight fraud, and it is likely that failure to do so will bring criticism and possible financial consequences too.
 9. For data protection work, the start base was low, in that there was no framework in place when responsibility for it transferred from SWAP. Some steps have been put in place e.g. each service has a data protection nominee to whom greater training has been given and who acts as first point of contact for staff and over 625 SSDC staff and volunteers have received awareness training on data protection issues since 2012. We remain vulnerable should there be any significant breaches of the Data Protection Act 1998 (DPA) as we have identified issues but have not had the resources to address them.
 10. An external audit in 2012 highlighted that the data protection arrangements at SSDC were not 'fit for purpose' and, amongst the many recommendations, advised that the Fraud and Data Manager was seriously overloaded and should be given additional help. A request to MB for additional resources, in 2013, was rejected, because of the financial savings required that year. No progress has been made on addressing the audit recommendations.
 11. In addition the log of data protection issues, raised by staff and managers at staff awareness sessions, or otherwise, runs into the 100s and are not being progressed. Neither of the Interns who came to assist with this work lasted more than a few weeks and it is true to say that the data protection work is more complex and technical than counter fraud work and so more difficult to get to grips with easily.
 12. For breaches of the Act a monetary penalty of up to £0.5m can be levied where serious damage or distress occurs as well as a range of other and enforcement action. A copy of the fines levied by the Information Commissioner is attached for information. Additionally, new European Data Protection Regulation is expected shortly which brings fundamental changes – and substantial challenges – to organisations and these will need to be addressed.
 13. A report on these issues led Management Team, on the 16th November 2015, to support the creation of a Grade 4 Fraud and Data Officer post to assist the Fraud and Data Manager in progressing these matters. Provision has been made within the revenue budget to fund this post and an update on the recruitment will be given at the meeting.
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