

COUNCIL ASSEMBLY
(ORDINARY MEETING)

WEDNESDAY 23RD JULY 2003

QUESTIONS RECEIVED IN RESPECT OF ITEM 22.1 – STATEMENT OF
ACCOUNTS 2002/03

1. QUESTION TO THE PRESENTER OF ITEM 22.1 - FROM COUNCILLOR WILLIAM ROWE

“Would the presenter of the item please provide the following information in relation to the release of the provisions in respect of liabilities under tax variable leases:

(a) What authorization, if any, has been obtained from Members for the decision to credit the £5.6m in respect of 2002/3 and £9.2m in respect of 2003/4 to the Housing Investment Programme?

(b) Are there any legal requirements which prescribe that these provisions must be released to the Housing Investment Programme?”

RESPONSE

(a) The 1999/2000 Housing Revenue Account Budget & Rent Setting Report considered by Housing Committee on 22nd February 1999, made specific reference to the Council's liability arising from the House of Lords ruling and stated that full provision existed in the Council's accounts as at March 1998. It further stated (para 5.4.3) 'Housing Committee has agreed that any part of the reserve which becomes available should be used for stock investment in future years'.

Following this an 'in principle' decision to earmark the House of Lords provision to support the Housing Investment Programme was taken early in 2001 by Investment Programme Group (IPG) chaired by the former Director of Housing, in anticipation of these resources becoming available following legal advice. Subsequently, a phased release was agreed, commencing in 2002/03.

The intention to use these resources for this specific purpose has been in the member domain since that time and the issue generally pre-dates that. It has also featured in subsequent Investment Programme monitoring reports.

(b) There are no legal requirements that prescribe that the provision must be released to the Housing Investment Programme specifically, other than the authority given through Committee decisions. However, it should be noted that the funds are Housing Revenue Account resources, and cannot be appropriated to other purposes outside the HRA.

SUPPLEMENTAL QUESTION FROM COUNCILLOR WILLIAM ROWE

There was none

2. QUESTION TO THE PRESENTER OF ITEM 22.1 - FROM COUNCILLOR TOBY ECKERSLEY

“Would the presenter of this item please state:

- (1) the number of identified frauds against the Council in 2002/03, compared with the previous four years;
- (2) the approximate total value of such frauds; and,
- (3) his/her best estimate of the percentage of total fraud which is likely to be uncovered by the procedures leading to the identification of fraud.”

RESPONSE

Answer to (1) and (2)

Year	Housing and Council Tax Benefit		Other		Total	
	No	£000	No	£000	No	£000
2002/2003	149	273	1	5	150	278
2001/2002	351	373	2	15	353	388
2000/2001	660	686	1	2	661	688
1999/2000	427	408	6	26	433	434
1998/1999	1363	2366	1	4	1364	2370

Notes:

- ❖ The rules covering how benefit fraud is defined were significantly tightened in 1999/2000 which is the major reason for far higher figure for benefit fraud in 1998/99 than subsequent years.
- ❖ In addition to the fraud cases identified in the table above there were also 9 cheque frauds during this 5 year period where the Council incurred no loss. Either because the attempted fraud was stopped before the cheque had been cleared or because the bank refunded the fraudulently obtained sum to the Council.
- ❖ There are also currently 2 major investigations ongoing but not yet completed which have not been included in the table above. These both concern allegations of fraud and corruption involving Council contractors. Both cases have been referred to the Police for investigation.

Answer to (3)

By its nature fraud tends to be secretive and for obvious reasons perpetrators tend not to advertise their activities. For that reason it is very difficult if not impossible to know how much fraudulent activity is going on at any time and for that reason equally difficult to make an assessment of what percentage of fraud is identified by counter fraud activity.

Having said that the Council has invested considerable efforts into promoting an anti fraud culture through both high profile advertising campaigns (“Spill the Beans” postcards delivered to every household in the Borough with Southwark Life), and a robust policy of pursuing sanctions against identified fraudsters up to and including prosecution by the Council’s Legal Staff. In addition the Council has set up and

publicised an anti- fraud hotline and e-mail address, developed an anti fraud website on the Council's intranet and undertaken anti-fraud training for frontline staff.

The authority is compliant with the DWP's Verification Framework, which is a framework of controls to prevent and detect erroneous and fraudulent benefit claims. In addition, benefit administration staff are trained in fraud awareness and know to query any suspicious claims.

In addition to the preventative and detective controls in the benefit administration system, the authority also takes part in the National Fraud Initiative (NFI), which matches various databases (such as payroll, pension, benefits) from various public and private sector organisations. Any matches which suggest fraudulent benefit, pension or grant claims, duplicate employment, false National Insurance numbers, etc., are investigated.

In the case of corporate frauds within the authority, we have a system of internal controls which, again, is primarily designed to prevent fraud and corruption, and secondly to detect it. Our internal audit coverage reviews the adequacy of the internal control framework. It is impossible to know how much fraud is being attempted within the authority at any time; we rely on the assurances given by the internal auditors that the internal controls within the authority are robust enough to manage the risk of fraud and corruption.

SUPPLEMENTAL QUESTION FROM COUNCILLOR TOBY ECKERSLEY

With regard to the CFO statement on page 376 of our agenda about the better procedures which are required for safe keeping of cash and timeliness of banking and a greater risk to fraud which arise from any weaknesses in this area. When will the relevant review be completed and remedial steps taken?

RESPONSE

We should receive the report later this year.