

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for Corporate Services

to

Audit Committee

on

24 June 2015

Report prepared by: David Kleinberg, Group Manager
Counter Fraud & Investigation & Linda Everard, Head
of Internal Audit

**Counter Fraud & Investigation Directorate: Annual Report 2014/15
and Strategy for 2015/16**

Executive Councillor – Councillor Woodley

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To present to the Audit Committee for consideration the:

- Counter Fraud & Investigation Directorate's (the Directorate) final performance report for 2014/15
- Corporate Counter Fraud & Investigation (CF&I) Strategy for 2015/16 to the Audit Committee.

2. Recommendation

2.1 **The Audit Committee:**

- **notes the Directorate's final performance information for 2014/15**
- **endorses the 2015/16 Corporate Counter Fraud & Investigation Strategy.**

3. Annual Performance Report 2014/15

3.1 **Appendix 1** summarises the Directorate's work flow regarding Southend-on-Sea Borough Council cases, for 2014/15 financial year. It shows that 905 referrals were received during this period up from 510 received the previous year. 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.

3.2 The proactive approach taken by the Directorate to investigate housing tenancy fraud in the last four months of the financial year has seen a considerable increase in detections from 2 to 17. This has increased the overall detection fraud value for the service increase from £496k to £585k.

4. National Fraud Initiative

4.1 The original matches from the current National Fraud Initiative were received in January 2015. **Appendix 2** summarises the matches received, split into categories and those that have already been dealt with. The table has been updated this time to reflect additional matches received.

4.2 Progress reports will be produced for the Audit Committee until all matches have been cleared.

5. 2015/16 Strategy

5.1 **Appendix 3** sets out the Corporate Counter Fraud & Investigation Strategy for 2015/16. This reflects the fact that it is the first full year of operation for the Directorate hosted by Thurrock and Southend-on-Sea Borough Councils. This is supported by:

- a proactive work programme (Appendix 3a)
- a programme of team management projects (Appendix 3b).

5.2 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 the Directorate
- 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.

5.3 The approach to be adopted is to:

- rollout a Subject Matter Expert from the Directorate to each service area
- 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
- create a specialist resource centre at the Council's offices that mirrors that already in place at Thurrock Council so that staff can undertake all aspects of an investigation on either site (including, for example, a forensic computing capability).

5.4 Quarterly performance reports will be produced for the Corporate Management Team and Audit Committee on the delivery of this Strategy.

6. Corporate Implications

6.1 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.

6.2 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.

6.3 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.

6.4 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.

6.5 Property Implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity.

6.6 Consultation: None

6.7 Equalities Impact Assessment: None

6.8 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.

6.9 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.

6.10 Community Safety Implications and Environmental Impact: None

7. 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.

8. Appendices

- Appendix 1: Southend-on-Sea Borough Council Case Summary to 31 March 2015
- Appendix 2: 2015 National Fraud Initiative Data Matches Update 28 May 2015
- Appendix 3: 2015/16 Corporate Counter Fraud and Investigation Strategy
- Appendix 3a: Proactive Work Programme 2015/16
- Appendix 3b: Team Management Projects 2015/16