

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive

to

Audit Committee

on

29 March 2017

Report prepared by: David Kleinberg, Group Manager
Counter Fraud & Investigation

Counter Fraud & Investigation Directorate: Quarterly Status Report & Counter Fraud Strategy and Plan for 2017/18

1. Purpose of Report

- 1.1 To update the Committee on the performance of the Counter Fraud & Investigation Directorate to date.
- 1.2 To present the Counter Fraud & Investigation Strategy & Work Plan for 2017/18 to the Committee for consideration.

2. Recommendation

- 2.1 **The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate to date.**
- 2.2 **The Committee agrees the Counter Fraud Work Plan for April to June in year 2017/18.**

3. Performance

- 3.1 The Counter Fraud & Investigation Directorate (CFID) has made good progress in delivering the 2016/17 counter fraud work plan since April 2016.
 - **349** reports of suspected fraud have been received
 - **175** of those allegations have been closed as 'no fraud'
 - **95** investigations are still being conducted
 - **102** sanctions have been delivered in cases of proven fraud.
- 3.2 **Appendix 1** outlines the flow of cases into the Directorate so far since 1st April 2016.
- 3.3 This year the Directorate has made significant progress in its delivering its target of becoming a cost-neutral council service. The proceeds of crime recovered this financial year are £123k, 62% of our annual budget of £198k.

4. Fraud Risk Assessment

- 4.1 Local authorities have followed the Audit Commissions' 'Fighting Fraud Locally' strategy, which sought to define minimum standards for councils to use to ensure there was sufficient recognition of fraud in local government.
- 4.2 This strategy was reviewed in 2016 (after the demise of the Audit Commission) and was re-named '*Fighting Fraud & Corruption Locally*', developed with input from a number of bodies including the Cabinet Office, Home Office, Local Government Association and local authorities. The strategy highlights the most common fraud types faced by local government as:
- Housing Tenancy fraud
 - Procurement fraud
 - Insurance fraud
 - Social Care fraud
 - Blue Badge Scheme fraud
 - Revenues Fraud
 - National Fraud Initiative
- 4.3 The CFID annual strategy has always recognised these particular threats and proactive work has been undertaken to ensure our system of internal control was effective in protecting the council from fraud.
- 4.4 This year, specialists from the CFID will be conducting workshops across the council with all council service areas to understand and assess their individual risks from fraud and other economic crime.
- 4.5 Questionnaires will also be distributed to staff and Managers to comply with the UK Bribery Act (UKBA) and Countering Money Laundering programme of work.
- 4.6 These workshops will ensure that the emerging crime threats are captured and acknowledged by the business areas, as well as assisting in identifying opportunities to better protect the council with remedial action.
- 4.7 **Appendix 2** outlines the delivery of these workshops, as well as the scheduled annual tasks taken by the directorate in providing a consistent approach to fraud at the Council, such as assessments, policy reviews and training.
- 4.8 The plan is a working document. Where opportunities exist to conduct specific targeted proactive exercises on identified fraud risk areas, these opportunities will be brought back to Committee and included in the work plan.

5. Corporate Implications

5.1 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.

5.2 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.

5.3 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.

5.4 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.

5.5 Property Implications

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

5.6 Consultation: None

5.7 Equalities Impact Assessment: None

5.8 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.

5.9 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.

5.10 Community Safety Implications and Environmental Impact: None

6. 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.

7. Appendices

- Appendix 1: Flow of casework into the Directorate
- Appendix 2: Counter Fraud Work Plan