

# Southend-on-Sea Borough Council

Agenda  
Item No.

**10**

Report of the Chief Executive

to

**Audit Committee**

on

**28 June 2017**

Report prepared by: David Kleinberg, Head of CF&ID

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**Counter Fraud & Investigation Directorate:**

**Annual Report for 2016/17**

**Executive Councillor – Councillor Moring**

***A Part 1 Public Agenda Item***

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**1. Purpose of Report**

- 1.1 To present the Counter Fraud & Investigation Directorate's (CFID) Annual Report for 2016/17 to the Audit Committee.

**2. Recommendation**

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate over the last year.**

**3. Performance**

- 3.1 Attached at **Appendix 1** is the CFID's Annual Report for 2016/17. This summarises all of the Directorate's activities with Southend-on-Sea Borough Council (and its other partners) and sets out some key priorities for 2017/18. It demonstrates the unique nature of the work being done in this area by the two Councils and that the team is now well established. The creation of the Shared Service Board will help to shape the future vision for the service.
- 3.2 Comparison figures below show the number of fraud reports received by CFID and the amount that have been rejected due to no fraud being evident or where the report of fraud is not within CFID remit (i.e. housing benefit). The comparison also shows the amount of sanctions that have been achieved compared to reports under investigation.

Summary of Activity and Comparison:

<b>Activity</b>	<b>15/16</b>	<b>16/17</b>
Reports of suspected fraud have been received	215	175
Cases closed as 'no fraud', of those reported above	109	78
Investigations are still being conducted	84	71
Sanctions have been delivered in cases of proven fraud	59	85

#### **4. Work Plan for 2017/18**

- 4.1 **Appendix 2** sets out the initial focus for the proactive work to be completed by CFID during 2017/18.
- 4.2 As outlined previously, CFID will be conducting fraud risk assessment workshops throughout the Council to enable the entire fraud and economic crime risk to be mapped.
- 4.3 This essential work will assist with developing an increased awareness of the types of fraud the Council faces as well as a service-specific understanding of the control framework that exists and what risk mitigation is in place.
- 4.4 This data collected will then be summarised in a matrix and used to target the CFID's work as well as a programme of any enhancements SBC could make to protect itself from fraud and economic crime further.
- 4.5 This work was scheduled to start in March 2017 however, due to unexpected staff absences across CFID; there has been significant impact on resources. Therefore, this work will now commence in June 2017 and report to the September 2017 Audit Committee.
- 4.6 The other important exercise that still needs to be completed is to reassess the risks attached to and level of compliance with both UK Bribery Act and the Money Laundering Regulations. The results of this will also be reported to the next Audit Committee.
- 4.7 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 Counter Fraud & Investigation Directorate Annual Report for 2016/17

Appendix 2 Counter Fraud Work Plan for March to September 2017