

Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

16 January 2019

Agenda
Item No.

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Fraud & Investigations

Counter Fraud & Investigation Directorate: Quarterly Performance Report

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation Directorate (CFID) in delivering the Counter Fraud Strategy and Work Programme for 2018/19.

2. Recommendation

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

3. Investigations

- 3.1 For the year 2018/19 good progress has been made in responding to reports of suspected fraud, with:
- **115** reports of suspected fraud have been received in the year
 - **21** reports are currently under investigation
 - **18** reports have been closed with sanctions being delivered
 - **70** reports remain under intelligence review
 - **20** intelligence reports has been disseminated to service areas
- 3.2 The reports provided to the committee this year have been amended to include additional information to demonstrate the entire work of the service. This includes 'intelligence reports' and 'intelligence disseminated.'
- 3.3 Intelligence reports – are information received of suspected fraud but limited in being able to identify an offender or other supporting information. These reports are assessed and kept under constant review in order that any correlative or new information is matched up.

3.4 Intelligence disseminated – these reports are where CFID have provided information to service areas or other partners, about known or suspected criminality, in order to prevent crime and stop criminal attacks on the council and its supply chain. Recent examples have included Mandate Fraud – where a criminal mimics a ‘well known’ supplier and attempts to change the suppliers bank details at the council to receive money fraudulently.

4. Counter Fraud Work Plan

4.1 The work plan for the period 2018/19 is shown at **Appendix 1**. This work plan details the current projects of the CFID.

4.2 The work plan for this year included updates and revisions to the council’s Counter Fraud, Bribery & Corruption and the Counter Money Laundering policies. These policies take account of the threat the council faces, historical detected cases, national intelligence and legislative changes, such as the 4th Money Laundering Directive.

4.2 Some of these projects have already been implemented and progress will be updated to future audit committees. A section of the work plan, regarding questionnaires for bribery & corruption and money laundering has been carried over from the 2017/18 work plan but this is now complete.

5. Fraud Risk Matrix

5.1 At the previous audit committee members asked for details on fraud trends to be included in the next audit committee report.

5.2 **Appendix 2** details the top ten fraud risks within the Council, this includes:

- Potential overall risk value of fraud within the top team areas
- Potential value of fraud under investigation
- Fraudulent value detected

5.3 This document will be used to educate service areas on their on-going fraud risk. It has been presented to directors and senior management teams, and will evolve throughout the year.

6. Staff Changes

6.1 Daniel Helps who headed the CFID operations as the deputy to David Kleinberg left the council on 4th January 2019 to take a new job with the Foreign & Commonwealth Office. A recruitment process took place and that post was taken by Michael Dineen who was formerly the head of the CFID investigations unit.

7. Corporate Implications

7.1 Contribution to Council's Aims and Priorities

7.1.1 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.

7.2 Financial Implications

7.2.1 Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

7.2.2 Any financial implications arising from identifying and managing the fraud risk will be considered through the normal financial management processes.

7.2.3 Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

7.3 Legal Implications

7.3.1 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.'*

7.3.2 The work of the Directorate contributes to the delivery of this.

7.4 People Implications

7.4.1 Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings, civil law and criminal prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

7.5 Property Implications

7.5.1 Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning social housing stock to those in need or recovering the assets of those who seek to profit from their criminal behaviour.

7.6 Consultation: None

7.7 Equalities Impact Assessment: None

7.8 Risk Assessment

7.8.1 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.

7.8.2 Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

7.9 Value for Money

7.9.1 An effective counter fraud and investigation directorate should save the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

7.10 Community Safety Implications and Environmental Impact: None

8. Background Papers

None.

9. Appendices

- Appendix 1: Work Plan for 2018/19
- Appendix 2: Annual Fraud Impact Measurement Matrix