

Meeting: Audit Committee
Date: 26 October 2024
Classification: Part 1
Key Decision: No
Title of Report: Counter Fraud & Investigation Team: Quarterly Performance Report October 2024

Executive Director: Joe Chesterton: Executive Director (Finance and Resources)
Report Author: Shaun Dutton: Counter Fraud & Investigation Manager
Executive Councillor: Cllr Paul Collins: Cabinet Member for Finance, Assets and Investments

1. Executive Summary

- 1.1 The purpose of this report is to inform the Audit Committee about the work done by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme for 2024/25.

2 Recommendations

- 2.1 That the Audit Committee notes the performance of the Counter Fraud & Investigation Team over the last three months.

3 Background

- 3.1 CFIT is dedicated to protecting the funds and assets of Southend-on-Sea City Council (the Council). The team protects the Council from fraud, corruption, and losses resulting from criminal behaviour. We pursue those that commit crime against the Council and recover losses where possible.

4 Summary of work

- 4.1 The volume of internal investigations the team is currently dealing with is starting to show signs of easing with 6 referrals being received this period. The team still currently has 21 active cases representing 18.5% of the total caseload, 2 of which are being prosecuted. However, several of these are expected to be concluded soon.

While the situation may be easing, this work continues to demand a disproportionate amount of human resource from the team.

4.2 This period, CFIT conducted the following proactive fraud detection and deterrence exercises:

- Operation Egret was a high visibility blue badge fraud deterrence exercise, conducted in partnership with APCOA, that targeted an area of reported high-volume blue badge misuse. Very few blue badges were inspected which is a good indicator that the exercise was a successful deterrent. Residents have remarked on the effect this exercise has produced. The result also suggests that many of the blue badges usually on display in the area are being misused and APCOA will increase patrols there.
- Operation Crow was a tenancy fraud exercise and 95 properties were visited. The analysis of the results of this have been delayed due to annual leave.
- Operation Chiffchaff was a plain clothes blue badge fraud detection and deterrence exercise. 40 badges were inspected with 4 expired badges taken out of circulation and one formal warning issued. The response from legitimate blue badge holders was overwhelmingly positive.

4.3 The funding to expand the team by one permanent investigator is being considered as part of the budget considerations for 2025/26 and our apprentice will be taking up the current investigator vacancy in October 2024.

This will increase CFIT's capacity to deal with its caseload and increase prevention activities and should result in increased productivity and returns for the Council.

4.4 A substantial and long-running investigation into a wide range of allegations in one service area of the Council is ending and reports have been issued to senior management concerning the findings of this investigation to assist with the ongoing reorganisation of that area.

4.5 There have been several reports of school admission fraud this period, resulting in one prosecution so far. CFIT will be issuing advice to the School Admissions Team to improve their evidence collection and preservation procedures.

5 The threat from fraud

5.1 Fraud has grown rapidly in recent years and now accounts for more than 40% of all crime in England and Wales. Estimates by the National Crime Survey show that there were 4.6 million fraud offences committed in the year ending March 2021. This is equal to the total theft and violent crime offences combined¹.

However, the police have only 2% of their resources dedicated to fraud investigation, despite it making up more than 40% of all crime². An inspection of the police's response to fraud found that these offences are generally not considered to be a priority³.

Although the national response to the threat from fraud is improving, the scale of the threat is beyond the resources of our law enforcement agencies to tackle it

¹ Victims Commissioner, 2021

² House of Commons Justice Committee, 2022

³ Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, 2019

alone. A significant focus of this response is focused on enabling businesses, individuals, and local authorities to protect themselves.

- 5.2 An indication of the increasing threat to the Council is demonstrated by a 2013 estimate⁴ suggesting that fraud may be costing UK local authorities £2.1bn a year. This compares to a 2017 estimate⁵ that the total annual loss to local authorities from fraud may be as high as £7.8bn.

This is a rise of £1.4bn a year: although the increase is likely to be exponential, using this figure extrapolates to **£14.8bn** in UK local authority loss from fraud in 2022.

- 5.3 The national fraud guidance for local authorities⁶ is placing an increased emphasis on proactive fraud prevention initiatives and our Work Plans are guided by this.

6 Investigations

- 6.1 Since 1 April 2024, CFIT have dealt with, or are investigating, 267 cases (121 of these cases started prior to that date, so CFIT has received 146 new cases this financial year).

- 6.2 Of the total 267 investigations:

- 154 have been concluded
- 113 are active:
 - 47 are currently being investigated
 - 11 are being prosecuted
 - 55 are waiting for assignment to an investigator

21 of the active cases concern Council employees. 19 of these are being actively investigated and 2 are being prosecuted. This represents 18.5% of the total caseload which, as mentioned above, is expected to reduce soon.

A breakdown of these investigations can be found at **Appendix 2**.

- 6.3 CFIT's current prosecutions relate to:

- 2 concerning procurement fraud (awaiting sentencing date)
- 1 concerning covid grant fraud (due to be sentenced in November)
- 2 concerning ex-employees for fraud offences (1 due to be sentenced in October)
- 4 concerning blue badge offences (including theft and forgery offences)
- 1 concerning school admissions fraud
- 1 concerning social care fraud.

Where offenders are waiting to be sentenced, this is the result of guilty pleas.

⁴ National Fraud Office 2013

⁵ Centre for Counter Fraud Studies, University of Portsmouth, 2017

⁶ *Fighting Fraud and Corruption Locally: A strategy for the 2020s*, Local Government Association, 2020

6.4 Results this period include⁷:

- The case against an ex-employee for career polygamy⁸ was resolved following an offer to reimburse the loss to the Council and pay full costs: total recovery of £3,708.15
- A conviction for grant fraud resulting in a £120 fine and the award of £595 costs and £159.95 in compensation to the Council
- A conviction for blue badge fraud resulting in a £80 fine and the award of £830 cost to the Council
- The recovery of £500 of incorrectly awarded Single Person Discount
- The cancellation of two applications for selective school places saving £12,000⁹
- The removal of 5 expired blue badges from circulation to prevent misuse, saving £2,875¹⁰
- The detection of 2 fraudulent housing applications resulting in those tenants being moved to smaller properties and the recovery of 2 bedrooms, saving £23,000¹¹
- Answering 15 requests for information under the Data Protection Act, mainly from Essex Police
- Assessing 5 Right to Buy applications¹²
- Reviewing 4 social tenants with rent accounts in credit of more than £1,000¹³

6.5 The total benefit to the Council from CFIT's activities this period is **£43,668** which brings the total benefit since 1 April 2024 to **£90,297**.

As mentioned in the previous report to the Committee, this is below what would be expected at this time of the year; this is a result of the team's vacant investigator post and the impact of a significant volume of internal investigations.

⁷ 26/06/2024 to 04/09/2024

⁸ 'Career polygamy' refers to someone who takes up full-time employment with more than one employer, usually taking advantage of work from home policies.

⁹ School places are valued at £6,000 which represents the cost of one year of secondary education. These cases involve parents from outside the catchment area making fraudulent applications for places they would not be entitled to unless they lived within the catchment area. This denies a place for a child within the catchment area who would still need educational funding.

¹⁰ Blue badge misuse is valued at £575 which represents the loss of parking revenue from a year of misuse.

¹¹ 2 bedrooms equates to the recovery of a property, valued at £23,000 which represents the cost to the authority to house a family in temporary accommodation for a year.

¹² CFIT assess all Right to Buy applications submitted to South Essex Homes and conducts further enquiries as necessary

¹³ This is a 'red flag' for subletting or money laundering: CFIT have a rolling programme of reviewing these accounts to detect these offences, this is currently 'ad-hoc' work that fits around the team's core functions

7 Work plan 2024/25

- 7.1 The Work Plan is progressing well and a further tenancy fraud detection and deterrence exercise is being planned.
- 7.2 Once the nights start to draw in and the weather deteriorates, work will commence on the staff training actions specified in the plan.
- 7.3 Discussions with Learning and Development are also taking place to revise and renew the Council's fraud awareness e-learning package and to develop a whistleblowing e-learning course.
- 7.4 The team's Work Plan 2024/25 can be found at **Appendix 1**.

8 Fraud prevention

- 8.1 CFIT's Fraud prevention strategy is comprised of:
- Raising the awareness of the risk of fraud in all staff
 - Maintaining adequate controls in policies and procedures
 - Highlighting new frauds and information sharing
 - Deterrence by having a high visibility in the community by conducting proactive detection and deterrence exercises.
- 8.2 The *Fighting Fraud in Local Government* and *Money Laundering Awareness* courses, both written by CFIT, are available and are now mandatory for all Council staff.
- 8.3 The Monthly Fraud Update is a monthly newsletter published by CFIT for staff and the public highlighting current risks of fraud and providing advice as to how people can protect themselves. This now has over 2,000 subscribers, some of which represent groups; enquiries with subscribers suggest that the newsletter reaches approximately 3,000 residents and staff.
- 8.4 CFIT engages with the Internal Audit team to provide fraud risk assessments and recommendations to strengthen any identified vulnerabilities in high-risk areas of the Council's business. We advise on the risks and suggest ways to strengthen their protections. Specialist Fraud Risk Assessment training will be undertaken in November which will equip the team with the skills and knowledge to develop a Council-wide fraud risk assessment. This is essential to providing effective fraud prevention measures.
- 8.5 CFIT regularly issues fraud alerts to various teams across the Council to highlight current and emerging frauds that affect their areas of the Council's business. CFIT have issued 10 such alerts since 1 April 2024.
- 8.6 CFIT has information exchange agreements with Essex Police and HMRC and these channels are very active.

- 8.7 The team's proactive fraud detection and deterrence work has been publicised in the local press. While deterrence is difficult to measure, we know anecdotally, for example, that the social housing population are aware of our tenancy fraud operations. This may go some way to deterring this activity and encouraging law-abiding tenants to report concerns to the team.
- 8.8 While not all our successful prosecutions are published in the press, we issue press releases for all of them, and most are taken up for publication. The publication of these results is an important deterrence tactic. This year, one of our convictions for blue badge fraud was published on the front page of the local press.
- 8.9 CFIT will be developing a specialist fraud risk assessment capability and this will progress plans to develop a Council-wide fraud risk assessment to inform those areas of the business that are at risk how they might better protect the public purse.
- 8.10 CFIT is very active in promoting policy and procedure changes to strengthen the Council's defences against external fraud and internal corruption, as mentioned above.

9 The National Fraud Initiative (NFI)

- 9.1 The NFI is a central government exercise that matches electronic data within and between public sector bodies to prevent and detect fraud. These bodies upload their data to a central service which then produces data matching reports. This process runs on a 2-year cycle.
- 9.2 An example of this is matching household non-dependents who have turned 18 with households in receipt of Council Tax Single Person Discount (SPD) (the non-dependent ceases to be such when they reach this age and SPD can no longer be claimed).
- 9.3 CFIT operates as the local coordinator and key contact for the NFI at the Council: centrally organising the upload of data, the training of officers, and the processing of returns. The team investigates data matches that suggest fraud may have been committed.
- 9.4 The next NFI cycle has recently commenced with the first data extraction and upload commencing on 30 September 2024.

10 Reasons for decisions

- 10.1 No decisions relevant for the Committee are required or have been made this period.

11 Other options

- 11.1 Not applicable.

12 Financial implications

12.1 As included in the report above at para 6.5.

13 Policy context

13.1 This report is made in the context of the following policies:

- Counter fraud and corruption policy and strategy
- Counter money laundering policy and strategy
- Whistleblowing policy and procedure

14 Consultation

14.1 Consultation has not been required.

15 Contribution to the Council's aims and objectives

15.1 The team's work to reduce fraud, protect the council from fraud and corruption, to pursue offenders and to recoup properties and money from the convicted contribute to the delivery of all the council's aims and objectives.

15.2 It does this by protecting and recovering the assets and funds that the council holds.

15.3 Furthermore, proactive fraud and corruption work, alongside the reactive prosecution of offenders, acts as a deterrent for such activities and assists in the identification of financial loss and loss of assets.

15.4 Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

16 Legal implications

16.1 The Accounts and Audit Regulations 2015 section 3 states 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."

16.2 The work of the Counter Fraud & Investigation Team contributes to the delivery of this.

16.3 Where fraud or corruption is proved the Council will:

- Take the appropriate action which could include disciplinary proceedings, civil action, and criminal prosecution.

- Seek to recover losses using criminal and civil law.
- Seek compensation and costs as appropriate.

17 Carbon impact

17.1 The Counter Fraud & Investigation Team operates in the community and therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic spread during a day.

17.2 However, the Counter Fraud & Investigation Team reduces its carbon footprint by:

- Operating an electronic case management system minimising the use of paper and printing. All documentary evidence is scanned electronically and, except where circumstances prevent it, the original is destroyed. This minimises physical storage requirements.
- Travelling by public transport wherever possible such as for court appearances, for example.
- Conducting meetings with external stakeholders remotely, minimising unnecessary travel.
- All CFIT officers have undergone Carbon Literacy training.
- Planning operational activity to minimise private vehicle use i.e., combining all necessary journeys on one day.

18 Equalities

18.1 The Counter Fraud & Investigation Team are committed to treating everyone equally and with respect.

18.2 All CFIT officers have undergone Equality and Diversity training. Our operational activity complies with the Equality Act 2010, the Human Rights Act 1998, the European Convention on Human Rights, and relevant legislation to ensure a fair and objective investigation and prosecution such as the Police and Criminal Evidence Act 1984, the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016, and the Criminal Procedure and Investigations Act 1996.

19 Risk assessment

19.1 Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from criminal activity. Such a culture should be led and supported by the Senior Management Team.

19.2 While risk cannot be eliminated from the Council's activities, implementing counter fraud and corruption policies and culture will contribute to managing this more effectively.

20 Value for money

20.1 An effective Counter Fraud and Investigation Team should save the Council money by:

- Reducing the opportunities to perpetrate fraud; this is reducing potential losses to future budgets.
- Detecting fraud promptly and applying relevant sanctions where it is proved; this limits the losses to fraud and corruption.
- Pursuing perpetrators to recover losses and to seek compensation; this limits the losses to fraud and corruption.
- Recovering properties; this reduces the strain on the social housing stock and reduces the cost of temporary accommodation to future budgets.
- Limiting the cost of investigation and pursuit of offenders by the application of alternate sanctions where appropriate; this provides a cost-effective service.
- Generating an income for the Council through the provision of counter fraud awareness training to the Council's partners and service providers and the provision of an investigation/prosecution service to appropriate partners.

21 Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	9 October 2024
Monitoring Officer	Susan Zeiss	9 October 2024
Executive Director	Joe Chesterton	9 October 2024
Relevant Cabinet Member	Cllr Paul Collins	14 October 2024

22 Appendices

Appendix 1: Counter Fraud Work Plan 2024-25

Appendix 2: Breakdown of CFIT investigations since 1 April 2024