

# Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

**Audit Committee**

on

**21 October 2020**

Report prepared by Shaun Dutton, Acting Senior  
Investigations Officer

Agenda  
Item No.

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## Counter Fraud & Investigation Team: Quarterly Performance Report

### *A Part 1 Public Agenda Item*

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#### **1. Purpose of report**

- 1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme the Work Plan for 2020/21.

#### **2. Recommendation**

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

#### **3. Introduction**

- 3.1 This report has been drafted on 1 October 2020 due to annual leave. As such, it covers a relatively short period of time since the last report in August.
- 3.2 The two investigators who joined the team in July 2020 are now fully trained and are dealing with a full caseload. They are producing results and developing into valuable assets for the team.
- 3.3 However, another investigator on the team has recently departed on maternity leave. While we wish her and her family all the best for the future, this represents a significant loss of knowledge and experience for the team, albeit temporarily. At this time, we are assessing the impact of this loss on our operational activity to ascertain whether it will be necessary to recruit a temporary replacement.
- 3.4 The work to fill a Counter Fraud & Investigation Manager's post is progressing and recruitment for this post is being worked on with HR. This post represents an increase in investigative capacity for the team and once all posts are occupied this may mitigate the temporary loss described above.
- 3.5 The team continue to progress operational work and have embarked upon an active programme of visiting and interviewing suspects and witnesses. This has had a marked effect on the progress of many current investigations.

- 3.6 As a result of the loss of staff earlier in the year and the impact of the pandemic restrictions, CFIT currently has a significant backlog of investigations waiting for attention. We are working hard to address this but the reduction of pandemic restrictions has resulted in an increase in referrals to the team. It is too early to determine whether the current staff levels are sufficient to address this backlog in a timely manner.
- 3.7 While this backlog exists, CFIT will not be embarking on the proactive detection activities detailed in the Work Plan (Appendix 1). We must address the frauds we know about before we start seeking more work. This situation will be kept under review and proactive activity will commence as soon as it allows.
- 3.8 The Fraud Awareness Course is now complete and the Workforce Development Team (WFD) are finalising it ready for release to staff. The course will initially be mandatory for all staff in key departments recommended by CFIT and new starters. The course will become mandatory for all staff across the Council once WFD have completed a revision of the staff annual learning plans arrangements. The course is comprised of two e-learning modules; the first gives an overview of fraud and the second provides more detail on the causes of fraud, the different threats the Council faces, and what staff can and should do about it.
- 3.9 The course has been developed in close collaboration with WFD and has been delivered at a minimal cost to the Council. Apart from being an excellent example of joint working, this course is also a trail blazer for a new way of developing professional training materials using in-house expertise.
- 3.10 The course is supported by a library of information available in the Council's online Knowledge Hub.
- 3.11 The success of the course will be measured through online feedback and an anticipated increase in the referrals and enquiries that are received by CFIT.
- 3.12 CFIT continues in its efforts to improve collaboration with other teams across the council and to highlight the threats from fraud. Formal joint working arrangements have been agreed with South Essex Homes and the Monthly Fraud Alert continues to reach an expanding audience.

#### **4. The National Fraud Initiative (NFI)**

- 4.1 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.
- 4.2 Some of these data matches indicate fraud while others can highlight errors in the data that should be corrected. Where a department processes a match that indicates fraud it will be referred to CFIT for investigation.
- 4.3 The most recent NFI exercise was restricted as the previous Counter Fraud Service did not pay it significant attention. CFIT became the key contact for the NFI in mid-October 2019 and a lot of work was done to re-invigorate the Council's engagement with this initiative.
- 4.4 This engagement has so far assisted in **£52,605.48** being identified as recoverable funds for the Council and 15 fraud investigations. This is expected to improve in the next cycle which is just commencing, as CFIT is now fully engaged in the process from its commencement.

- 4.5 The NFI has published its report on the 2018-2020 exercise (Appendix 2) which claims that **£245m** of fraud and error was detected nationally of which £215.8m was detected in England. The highest amounts of fraud detected and recovered were in Housing Benefit and Council Tax Single Person Discount.
- 4.6 The next cycle began on 30 September 2020 and all relevant teams in the Council have been engaged to ensure the data collection and upload phase runs as smoothly as possible.
- 4.7 The NFI central team will then run the data matching exercise and report any data anomalies (referred to as 'matches') identified to the Council in February 2021.

## 5. Investigations

- 5.1 This report marks one year since the formation of the current team and CFIT have dealt with, or are investigating, 310 cases to date.
- 5.2 Since the last report to the Committee, we have received 58 new cases, this is a slight but significant increase considering this report covers a shorter timeframe (please also note footnote 3 on Appendix 3).
- 5.3 Of this total:
- 220 investigations have been concluded (57 since the last report).
  - 90 investigations are active:
    - 47 cases are currently being investigated
    - 3 case are with Legal Services for prosecution
    - 40 cases are awaiting assignment to an investigator or being assessed.
- 5.4 A breakdown of these investigations by category is detailed in Appendix 3.
- 5.5 There has been a further slight increase in the number of cases awaiting assignment to an investigator; this is a result of the new investigators being supported into their roles and the transfer of cases from the investigator now on maternity leave. Now that the new investigators are fully operational, this is expected to be reversed in the coming months. The rate of cases being concluded is accelerating (28 between April and July, 57 between July and September) and this is expected to continue.
- 5.6 The success highlights for the team since October 2019 include<sup>1</sup>:
- The conclusion of 220 investigations
  - Recovering, or assisting the recovery of through the servicing of notices, 6 properties creating a saving of £138,000 for the coming year
  - Recoupment of a total of £2,663.21 from Council Tax fraud and creating a saving of £2,564.09 for the coming year
  - Preventing 4 fraudulent Right to Buy applications
  - Referring 5 employee cases to Human Resources for disciplinary action

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<sup>1</sup> Note that '*recoupment*' denotes funds reimbursed to the Council or fines levied, and '*savings*' denotes anticipated expenses to the Council that would have been incurred had the offence gone undetected.

- Referring 18 cases to the DWP
- Referring 15 cases to other Local Authorities or departments for action
- Assisting in the prevention of £65,000 in Business Grant payments
- Coordinating the NFI resulting in £52,605.48 of identified recoupments (savings not calculated).

5.7 As part of a locally agreed arrangement with Essex Police<sup>2</sup>, the team has met 136 Data Protection Act requests made for the prevention or detection of crime; 26 of these have been made since the last report to Committee.

## 6. Corporate implications

### 6.1 Contribution to the Southend 2050 Road Map

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.

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

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.

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

A strong counter fraud stance and function improves the Council's reputation for responsible stewardship of public funds.

### 6.2 Financial Implications

The Counter Fraud & Investigation Team's work will be delivered within the approved budget.

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

### 6.3 Legal implications

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."*

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<sup>2</sup> These figures also include occasional requests from other sources such as Local Authorities, they do not include Freedom of Information requests or Subject Access Requests which are dealt with outside our normal casework. The majority of our DPA response is to Essex Police.

The Crime and Disorder Act 1998 section 17 places a duty on the local authority to:

*“...exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.”*

The work of CFIT contributes to the delivery of these obligations.

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

#### 6.4 People Implications

People issues that are relevant to delivering individual investigations, or the Workplan, will be considered as part of each piece of work.

#### 6.5 Property implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as the proceeds of crime. Such action will benefit the Council by returning social housing stock for the use of those in most need, recovering the assets of those who seek to profit from criminal behaviour and deterring others from considering such activity.

#### 6.6 Consultation

The progress with investigations and delivery of the Workplan are periodically discussed with Directors before being reported to Corporate Management Team and the Audit Committee.

#### 6.7 Equalities and Diversity Implications

The relevance of equality and diversity is considered during the initial planning stage of the each investigation and piece of development work delivered.

#### 6.8 Risk assessment

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 Corporate Management Team.

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.

## 6.9 Value for money

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.
- Generate 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.

## 6.10 Community Safety Implications

These issues are only considered if relevant to a specific investigation, or piece of development work, undertaken.

## 6.11 Environmental Impact

These issues are only considered if relevant to a specific investigation or piece of development work.

## **Appendices**

- Appendix 1: Counter Fraud Work Plan 2020/21
- Appendix 2: NFI report 2020
- Appendix 3: Breakdown of CFIT investigations