

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of the Executive Director (Finance and  
Resources)

to

**Audit Committee**

on

**13 January 2021**

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Investigations Manager

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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 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 quarter, the team has been concentrating on managing its caseload and reducing the backlog of cases awaiting investigation. This backlog has resulted from the loss of staff earlier in the year and the restrictions imposed by the Covid-19 pandemic.
- 3.2 We continue to do this with a reduced staff number as one officer is on maternity leave and another on sickness absence following surgery. Currently we have two operational officers although this situation is expected to improve in the new year.
- 3.3 The backlog is being closely monitored and progress has been made in reducing it, the October 2019 report noted 40 investigations were awaiting assignment to an investigator whereas that figure has now been reduced to 35.
- 3.4 The Counter Fraud & Investigation Manager's post has now been filled from within the team and the recruitment for the resultant vacancy has commenced.
- 3.5 Notable successes this quarter include the recovery of £4,704 from an attempted evasion of Non-Domestic Business Rates and the successful prosecution of an individual for Disabled person's parking (Blue Badge) fraud.
- 3.6 The team are currently preparing several prosecutions in respect of Business Rates and grant fraud.

- 3.7 The Council-wide fraud awareness training continues to be well received. The feedback rates the course as 4½ out of 5 stars from 473 respondents. This course is available to all Southend Councillors who can access the Council's ICT systems.
- 3.8 The monthly fraud alerts for all staff continues to reach a growing audience with 21 teams or departments and over 30 individuals now on the distribution list. All recipients are advised to cascade these messages among their team, family and friends.

#### **4. The threat from fraud**

- 4.1 A third of all crime in the UK is fraud related. The total value of fraud detected or prevented by local authorities in 2018/19 is estimated to be £253m.
- 4.2 The total loss to local authorities from fraud is estimated to be £7.8bn (2017).
- 4.3 The areas of highest risk to the Council include Council Tax, Non-Domestic Business Rates, housing and tenancy fraud, disabled parking (Blue Badge) fraud, adult social care, procurement, grant fraud and employee fraud. CFIT have active investigations in all of these categories.
- 4.4 The national fraud guidance for Local Authorities is placing an increased emphasis on proactive fraud prevention initiatives and our current Work Plan (**Appendix 1**) has been guided by this. It is anticipated that the recruitment of a new fraud investigator and the return from sickness of another in the new year will accelerate progress in reducing our backlog of work. This should result in opportunities to conduct proactive activities both in fraud prevention initiatives and the detection of fraud.

#### **5. Investigations**

- 5.1 Previous Audit Committee investigation reporting has been in relation to the period since the current team's formation in October 2019. As we have now been in operation over a year, this report will now detail our investigations in relation to the financial year, to bring it into line with standard reporting cycles.
- 5.2 Since 1 April 2020, CFIT have dealt with, or are investigating, 235 cases.
- 5.3 Since the last report to the Committee in October, we have received 59 new cases. This is the same as the previous quarter and is less than we would expect. This is likely to be the result of Covid-19 pandemic restrictions, as these have caused Council and Housing Officers to be less active in the community.

5.4 Of this total:

- 157 investigations have been concluded (71 since the last report).
- 78 investigations are active:
  - 41 are currently being investigated
  - 2 cases are with Legal Services for prosecution
  - 35 cases are awaiting assignment to an investigator.

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

5.6 The success highlights for this quarter include:

- Recommendations to the Parking Team for policy and process improvement
- Joint working in the community with South Essex Homes
- The recovery of £4,704 of Non-Domestic Business Rates evasion
- The prosecution for unlawful use of a disabled person's parking permit (Blue Badge) resulting in a fine and the award of £145 costs to the Council
- Assisting in the recovery of 3 Council tenancies, creating a housing saving valued at £69,000 in the coming year
- Recouping £996.90 from Council Tax fraud
- Recovering £13,000 from an external supplier who was withholding revenue from the Council
- Preventing payment of grant applications valued at £10,000 each through support provided to the Business Rates team
- 8 Right to Buy applications assessed
- 5 referrals to the DWP
- 7 referrals to other agencies including Immigration, Trading Standards and the National Investigation Service.

5.7 The benefit generated by the team so far this year are:

- £1,598.89 in Council Tax fraud
- £69,000 in Housing Fraud
- £13,000 in recovered revenue
- £4,704 in recovered Non-Domestic Business Rates
- £55,000 in grant fund fraud.

This totals **£143,302.89** benefit to the Council from CFIT's activities.

## 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 Southend 2050 outcomes.

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 the 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.

### 6.2 Financial Implications

The work of the Counter Fraud and Investigation Team 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.

As noted at paragraph 5.7 the Counter Fraud and Investigation team has delivered £143,302.89 benefit to the Council through its activities.

### 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."*

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

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, and Human Resources consulted as appropriate.

#### 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 through monthly meetings with key stakeholders and 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 issues is considered during the initial planning stage of each investigation and piece of development work delivered, with Human Resources consulted as appropriate.

#### 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 Senior Management Team.

While risk cannot be eliminated from the Council's activities, implementing counter fraud and corruption policies and having an effective anti-fraud 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 reduced 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, undertaken.

## **Appendices**

Appendix 1 – Counter Fraud Work Plan 2020/21

Appendix 2 – Breakdown of CFIT investigations