

# Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

**Audit Committee**

on

**28th April 2021**

Report prepared by Shaun Dutton, Counter Fraud &  
Investigations Manager

Agenda  
Item No.

**8**

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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 since the last meeting.**

**3. Introduction**

- 3.1 Since the last meeting the team has been concentrating on managing its caseload and reducing the backlog of cases awaiting investigation. This backlog resulted from the loss of staff earlier in the year and the pandemic restrictions that needed to be complied with. However, the team are now making clear and steady progress in reducing this.
- 3.2 The reduction of pandemic restrictions now allows the team's investigators to recommence operational activity within the community. We are now actively visiting residents and businesses and interviewing witnesses and suspects.
- 3.3 The recruitment exercise for the Fraud Investigator vacancy has been completed and the new investigator is in post and actively working on investigations. This officer is very experienced in the local government fraud investigation context, and has been able to hit the ground running. He makes an excellent addition to the team and will be an asset to the Council.
- 3.4 This addition completes the current team's complement of staff. This will accelerate the rate at which the team addresses the backlog of referrals and will enable effective proactive initiatives to be conducted in line with the current Work Plan (**Appendix 1**). Work on this is expected to start during the coming quarter. The Work Plan will be reviewed to ensure that the work is effective and focussed on the detection and prevention of fraud against the Council and will be updated to form the basis of the Work Plan for 2021/22.

- 3.5 The team has been involved in 9 cases concerning suspected covid grant-related fraud or errors in payment this quarter with a total value of £96,700. In these cases, £90,000 of the total was prevented from being paid to the claimants. This work was performed in partnership with the Non-Domestic Business Rates and the Internal Audit teams. As such, CFIT cannot take all the credit for these successes and identification of suspect applications and payments is, in large part, due to the vigilance and hard work of these teams.
- 3.6 We have now established a mechanism and procedure to offer a penalty as an alternative to prosecution in Council Tax Reduction Scheme frauds. This ability is provided for by legislation and allows CFIT to offer such a penalty in relevant cases. This is an efficient and cost-effective way of resolving such cases and we have two cases currently awaiting the offer of a penalty. The penalty ranges from £100 to £1,000 based upon the amount of excess Council Tax Reduction the offender has received and in both current cases the penalty offered will be the maximum. We anticipate making greater use of this facility as the team develops.

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

- 4.1 The total value of fraud detected or prevented by Local Authorities in 2018/19 is estimated to be £253m.
- 4.2 The total annual loss to Local Authorities from fraud is estimated to be £7.8bn (2017).
- 4.3 A third of all crime in the UK is fraud related.
- 4.4 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 and employee fraud.
- 4.5 CFIT have active investigations in all these areas.
- 4.6 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. With the addition of the new investigator to the team and the reduction in pandemic restrictions, it is anticipated that work in this area will commence soon and the Work Plan will be reviewed to ensure we make the best use of this opportunity. This Work Plan will be updated to form the basis of the Work Plan for 2021/22.

#### **5. Investigations**

- 5.1 During the 2020/21 financial year, CFIT have dealt with or are investigating 328 cases (66 of these cases commenced prior to 1 April 2020).
- 5.2 Since the last report to the Committee, the team have received 87 new cases. This is an increase (47%) on the previous quarter, and this is expected to continue as the pandemic restrictions ease, as the National Fraud Initiative (see below) progresses, and with the anticipated resumption of proactive initiatives.

5.3 Of this total:

- 238 investigations have been concluded (82 since the last report)
- 90 investigations are active:
  - 50 are currently being investigated.
  - 6 cases are with Legal Services for prosecution.
  - 34 cases are awaiting assignment to an investigator.

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

5.5 Highlights this quarter include:

- £90,000 worth of Covid grant-related fraud prevented through work in partnership with Non-Domestic Business Rates and Internal Audit.
- 2 safeguarding referrals.
- Process / Policy improvement recommendation reports submitted to Adult Social Care and Traffic & Highways.
- Referrals to other Local Authorities (1), Essex Police (4), HMRC (1), the DWP (5), Public Sector Housing (1), Social Care (1) and Licensing (1).
- An attempted mandate fraud prevented by Accounts Payable (CFIT can take no credit for this apart from a role played in increasing awareness of the issue). Another suspected mandate fraud was confirmed to be a genuine request, following enquiries by CFIT, but shows that Council staff are being vigilant in challenging such requests.
- 4 misused Disabled Persons' Blue Badges recovered.
- 4 cases referred to Legal Services for prosecution:
  - 2 cases of Small Business Rates Relief fraud with a total recoupment of approximately £70,000.
  - 1 case of defrauding the Essential Living Fund
  - 1 case of an environmental offence.
- The establishment of a mechanism to impose Council Tax Reduction penalties. These are specific to Council Tax Reduction Scheme offences and range from £100 to £1,000.

5.6 The benefit generated by the team this year is:

- £1,599 in Council Tax fraud.
- £69,000 in Housing Fraud.
- £13,000 in recovered revenue.
- £ 81,404 in recovered Non-Domestic Business Rates.
- £145,000 in grant fund fraud.
- £20,424 from the National Fraud Initiative (see below)

This totals **£330,427** benefit to the Council from CFIT's activities.

## **6. Fraud prevention**

- 6.1 Active fraud prevention initiatives have been hampered by the focus on reducing the backlog of cases during this quarter. As mentioned above, this backlog is expected to reduce significantly with the introduction of a new investigator to the team and the reduction of pandemic restrictions. The space this creates will be used for proactive activities including initiatives aimed at deterrence and strengthening the Council's defences against fraud.
- 6.2 The Council-wide fraud awareness training continues to be well received. The feedback rates the course as 4½ out of 5 stars from 634 respondents so far. This course is also available to all Southend Councillors who are able to access the Council's ICT systems.
- 6.2 The monthly fraud alerts for all staff continue to reach a wide audience. The reach of this information will be assessed via questionnaire during the next quarter.
- 6.3 This quarter, two post-investigation reports have been issued to other teams in the Council with recommendations for policy or procedure adjustments aimed at increasing the protection to prevent, and early detection of, fraud.
- 6.4 In the coming weeks, CFIT will be delivering a talk on fraud awareness to a local community group. This is the first step in what is planned to be a rolling programme of engagement with residents to increase fraud awareness. The aim of this is to enable residents to recognise and protect themselves against fraud, know how to report it and to be aware of threats against both themselves and the Council.

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

- 7.1 The NFI is a central government exercise that matches electronic data within and between public sector bodies to identify links that can help prevent and detect fraud. These bodies upload their data to a central service which then produces data matching reports of cases to be followed up. This process runs on a 2-year cycle.
- 7.2 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).
- 7.2 CFIT operates as the local coordinator and key contact for the NFI at Southend Borough Council: centrally organising the upload of data and the processing of returns.
- 7.3 Although engagement with this initiative diminished somewhat before the formation of the current Counter Fraud team and, due to the timing of this, the team's involvement began late in the cycle, the most recent NFI exercise assisted in identifying £52,605.48 in recoverable funds for the Council and 15 fraud investigations.
- 7.4 CFIT has been fully engaged in the current cycle and, as a result, the returns are expected to be significantly more than this figure over the next cycle.

- 7.5 The current cycle is now at the stage where data matching results are being returned for local review and assessment. The Counter Fraud team is engaging with relevant services across the Council, providing training on the use of the data matching reports on the NFI system, the checks that should be made and when to make referrals to the Counter Fraud team.
- 7.6 The first result from the current cycle has achieved an estimated saving of **£20,424** relating to concessionary travel passes with 851 such passes being cancelled as a result of the NFI work.

## **8. Corporate implications**

### **8.1 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 the Council Ambition and 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 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.

### **8.2 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 5.6 the Counter Fraud and Investigation team has delivered £330,427 benefit to the Council through its activities.

### **8.3 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.

#### 8.4 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.

#### 8.5 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.

#### 8.6 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.

#### 8.7 Equalities Impact Assessment

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.

#### 8.8 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 culture will contribute to managing this more effectively.

#### 8.9 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.

#### 8.10 Community Safety Implications

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

#### 8.11 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