

# Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

**Audit Committee**

on

**20 October 2021**

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Investigations Manager

Agenda  
Item No.

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**Counter Fraud & Investigation Team: Annual Report 2020/21 and  
progress since 1 April 2021**

***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 Programmes for 2020/21 and 2021/22.

**2. Recommendation**

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Team over the 2020/21 financial year and since 1 April 2021.**

**3. Annual Report 2020/21**

**Introduction**

- 3.1 The Counter Fraud & Investigation Team was formed on 7 October 2019 following the dissolution of the previous shared service agreement with Thurrock Council.
- 3.2 The Investigation Officers that had been seconded to the shared service were withdrawn and asked to form a Counter Fraud Service dedicated to serving Southend-on-Sea Borough Council.
- 3.3 The team was comprised of three investigators and an intelligence analyst. In early 2020, two officers resigned from the Council leaving two investigators to provide the service. This is how the team stood in April 2020.
- 3.4 South Essex Homes offered to fund an additional investigator on the team which was a huge vote of confidence in the team's work and potential.
- 3.5 Following a reorganisation of the team's constitution and two recruitment campaigns, as of April 2021 the team is now comprised of a Manager (also the Senior Investigating Officer) and four highly qualified and experienced criminal investigators.

- 3.6 The team's staffing shortfall in the first half of the year compromised its operational effectiveness although good results were still achieved. However, the restrictions imposed to control the spread of Covid-19 had a significant impact on the team's ability to progress investigations to resolution.
- 3.7 This resulted in a backlog of investigations waiting for assignment to an investigator and an inability to complete many of the proactive fraud prevention / detection initiatives in the 2020/21 Work Plan (**Appendix 1**); many of these have been 'rolled over' to the 2021/22 Work Plan (**Appendix 3**). The priority for the team was to deal with the allegations of fraud that were under investigation.
- 3.8 Two investigators joined the team in July 2020 and the downgrading of the virus threat level enabled the team to start addressing the backlog and bringing cases to resolution. However, with a backlog of over 80 cases, it was still not possible to conduct proactive initiatives. Another investigator joined the team in early April 2021.
- 3.9 Nevertheless, the team has made significant progress in establishing an efficient and effective Counter Fraud Service to the Council. Notable achievements include:
- Key stakeholders have been identified and closer working arrangements have been agreed, including monthly management meetings and progress reports
  - Monthly Fraud Alert messages are distributed to staff and the public to increase awareness of current frauds. This now reaches an audience of approximately 700 individuals
  - The provision of Fraud Awareness Training to all staff, developed by the team in collaboration with Workforce Development. This includes the provision of additional information in the Council's Knowledge Hub
  - Amendments to Revenues & Benefits systems to alert operators if an individual linked to an account is under investigation
  - The distribution of Fraud Alerts to combat covid-related grant fraud with notable success
  - The establishment of a procedure and mechanism to offer a penalty as an alternative to prosecution for Council Tax Reduction Scheme offenders
  - The reinvigoration of the National Fraud Initiative, coordinated by CFIT for the Council (see results to date below)
  - The strengthening of the team's relationship with Essex Police
  - Maintaining fraud reporting mechanisms and adjusting them to make it easier to report fraud to the Council
  - Quarter-on-quarter increases in the number of referrals made to the team
  - Maintaining business as usual with an active caseload and achieving results (see below).

#### 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 fraud and employee fraud.
- 4.5 CFIT have active investigations in all of these areas.

#### 5. Investigations

- 5.1 In the year 2020/21, CFIT investigated 328 allegations of fraud (66 of these commenced prior to that year).
- 5.2 Of these:
  - 238 investigations were concluded
  - 90 were still active at year end:
    - 50 were under active investigation.
    - 6 were being prosecuted.
    - 34 were awaiting assignment to an investigator.

A breakdown of these cases can be found in **Appendix 2**.

- 5.3 The benefit to the Council generated by the team in the year 2020/21 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.

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

- 5.4 CFIT launched 7 prosecutions during the year 2020/21:
  - 1 Blue Badge misuse
  - 1 environmental offence
  - 1 procurement fraud (2 defendants)
  - 2 Business Rates frauds
  - 1 grant fraud (The Essential Living Fund)
  - 1 forgery offence (Parking permits) (2 defendants)

Only one of these prosecutions was concluded during the year (the Blue Badge case) resulting in a guilty plea and a fine. The others are waiting to be heard in the Crown Court.

- 5.5 During the year 2020/21, CFIT made referrals to other Local Authorities (14), the DWP (21), Essex Police (13), The National Investigation Service and the National Anti-Fraud Network (4), UK Border Force (1), Immigration (1) and HMRC (1).

Also, referrals were made to other Council teams: Regulatory Services (1), Planning (2), Public Sector Housing (1), Licensing (1) and Social Care safeguarding (3).

CFIT responded to 184 Data Protection Act requests, the majority of which were from Essex Police.

- 5.6 CFIT also assessed 26 Right to Buy Applications to assist South Essex Homes with their due diligence: 7 of these assessments required further investigation.

## **6. Fraud prevention**

- 6.1 Active fraud prevention initiatives were hampered during the year due to staff shortages and the backlog created by pandemic restrictions.

- 6.2 The Council-wide fraud awareness training was well received with 678 respondents' feedback averaging 4½ out of 5 stars. This course is available to all Southend Councillors who can access the Council's ICT systems.

- 6.2 The monthly fraud alerts now reach an audience of over 700 people both within and outside the Council. Feedback from recipients suggest that most of them share this information with others.

- 6.3 CFIT will, when appropriate, issue post-investigation reports to managers with recommendations for policy or procedure adjustments aimed at increasing the protection from, and early detection of, fraud. Three such reports were issued during the year.

- 6.4 CFIT has established an intermittent programme of public engagement in the form of talks to community groups. These are designed to raise awareness of the team's work and to enable residents to recognise and protect themselves from fraud.

## **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 prevent and detect fraud. These bodies upload their data to a central service which then produces data matching reports identifying data anomalies that are worthy of review. 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 if the non-dependent is still living at the property).

- 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 had diminished before the formation of the current Counter Fraud team and, as a result, 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.

## **8. Progress since 1 April 2021**

### **Introduction**

- 8.1 It should be noted that this section covers activity over the two quarters since 1 April 2021.
- 8.2 This financial year has started well with the team at its full complement of officers for the first time since it was reorganised. This has enabled us to address the backlog of cases resulting from previous staff shortages and the pandemic which stood at 90 cases in September 2020 and is now down to 22 cases.
- 8.3 The CFIT Work Plan for 2021/22 has been agreed with many of the initiatives from the previous year being 'rolled over' and additional items added to reflect the increased capabilities of the team (**Appendix 3**).
- 8.4 Work has progressed on the Plan with the following achievements to date:
- A proactive audit of social tenancies in a tower block, identified by South Essex Homes as having high levels of non-engagement (an indicator for subletting). This has, to date, resulted in 3 investigations although results are still being processed with 10 tenancies being subject to further enquiries
  - A methodology has been developed to offer Fraud Risk Assessments to key areas of the Council's business that are at a higher risk of fraud. This is currently waiting for management approval and then senior management support
  - A proactive joint exercise with APCOA (Traffic Management), aimed at Blue Badge misuse in the Borough, has been completed. This did not detect any Blue Badge misuse but was a high-profile exercise that has received strong support from the community and APCOA. A further exercise will be conducted later in the year with a revised methodology
  - Counter Fraud Officers have now been authorised with additional powers to combat Blue Badge misuse and fraud. This will greatly enhance the team's operational effectiveness in this area
  - CFIT now participate in the Strategic Tasking Allocation Group which brings together enforcement teams from across the Council to share information and coordinate responses
  - Training in how to spot the signs of subletting has been delivered to South Essex Homes' Tenancy Support Officers

- A joint working initiative between South Essex Homes and CFIT has been introduced where Counter Fraud Officers and Tenancy Support Officers spend one day a month working together
- A meeting has been arranged with a potential provider of internet data mining services to assess the value of such tools to the team's work
- A data matching exercise to assess the scale of fraud against the Essential Living Fund is currently underway
- A Memorandum of Understanding has been agreed between the Council and HM Revenue & Customs to enable a more efficient exchange of information
- Information Sharing Agreements have been agreed between CFIT and the areas of the Council's business we regularly share information with. These are currently awaiting approval by Information Governance before signing
- Counter Fraud messages are now being regularly posted on the Council's social media channels with details of how to report concerns
- A 'Views on Sea' staff blog was published to all staff in October to highlight International Fraud Awareness Week, the threat of fraud to the Council, and the benefits of a strong whistleblowing policy to prevent and detect internal fraud.

It should be noted that proactive initiatives in the community have value as a deterrent against perpetrating, as well as the detection of fraud.

8.5 The threat from fraud is not highlighted here as it is covered in the Annual Report 2020/21 above. This threat is consistent, increasing and, in some cases, becoming more sophisticated.

## 9. Investigations

9.1 Since 1 April 2021, CFIT have dealt with, or are investigating, 244 cases (94 of these cases commenced prior to this date).

9.2 Since 1 April 2021 we have received 150 new cases. This continues the trend of increasing referrals to the team observed over the preceding three quarters.

9.3 Of the total of 244 investigations:

- 164 have been concluded
- 80 investigations are active:
  - 52 cases are currently being investigated
  - 6 cases are with Legal Services for prosecution
  - 22 cases are awaiting assignment to an investigator.

9.4 A breakdown of these investigations by category can be found at **Appendix 4**.

## 9.5 Highlights this period include:

- The conviction of a local company for environmental offences resulting in a £4,000 fine, the award of £239.70 in costs and the imposition of a £190 victim surcharge
- Council Tax Reduction Scheme Administrative Penalties<sup>1</sup> agreed to the value of £2,671.29
- £11,922.87 of fraudulently obtained Council Tax reductions and discounts recovered<sup>2</sup>. *This has already exceeded the 2020/21 total*
- Assisting the prevention of £90,746 in fraudulent covid-related grant applications being awarded
- £40,900 of fraudulent or incorrectly awarded covid-related grant payments recovered
- £87,699 of savings produced by the National Fraud Initiative. *This has already exceeded the 2020/21 total*
- Assisting in the recovery of two social housing properties, saving the Council £46,000 in future temporary accommodation costs<sup>3</sup>
- Three employees referred to Human Resources for misconduct issues
- One individual removed from the social housing waiting list for failing to declare assets
- Assessing 23 Right to Buy applications on behalf of South Essex Homes, some of which required further enquiries
- Referrals to Essex Police (2), the National Investigation Service in respect of organised criminal activity (2), the DWP (5) and other Local Authorities (4)
- Meeting 105 Data Protection Act requests for information, mainly from Essex Police.

## 9.6 Our current prosecutions involve:

- A procurement fraud valued at £726,884.82 (2 defendants)<sup>4</sup>
- A Small Business Rates Relief fraud valued at £35,239.90
- A Small Business Rates Relief fraud valued at £24,136.39 (2 defendants)
- Forged seasonal parking permits valued at approximately £2,000 (2 defendants)
- Fraudulently acquiring goods from the Essential Living Fund to the value of £229.95.

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<sup>1</sup> The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 allow the Authority to offer offenders an Administrative Penalty of between £100 and £1,000 as an alternative to prosecution.

<sup>2</sup> This is mainly the recovery of fraudulently obtained Single Person Discount and Council Tax Reduction.

<sup>3</sup> It is estimated that the fraudulent occupation of a social housing property costs the Council £23,000 a year; this is the cost of keeping a family in temporary accommodation for that time. Other estimates put this cost a lot higher by factoring in the cost of investigation, enforcing statutory obligations, anti-social behaviour etc.

<sup>4</sup> This is a long-running investigation inherited from the precursor team; due to their records management, this has been recorded as two cases when it is, in fact, one. Hence our records also show this as two prosecutions.

## 10. Fraud prevention

- 10.1 The fraud awareness training for all staff continues to be well received. The Team have highlighted this to staff who have not completed it in October as part of International Fraud Awareness Week. A blog to all staff was used this month to raise awareness of the Council's Whistleblowing Policy and the importance of people who are willing to do what is right.
- 10.2 The monthly fraud alerts have continued and are well received. These serve not only to inform staff and the public of the omnipresent threat from fraud but also to keep this threat alive in the minds of staff as they do their work.
- 10.3 The team have delivered a talk to a local community group to raise the profile of the team and increase fraud awareness among the residents. Feedback suggests that this went well and we are actively seeking opportunities to give further talks to the public.
- 10.4 As mentioned above, the proactive fraud detection exercises are expected to have a significant deterrent effect, particularly when successes are publicised.
- 10.5 As mentioned above, CFIT now have an increased public visibility through regular messages being posted on the Council's social media platforms. As well as encouraging reporting, this will also have a deterrent effect. Plans are underway to introduce similar messages on South Essex Homes' social media platforms and newsletters.
- 10.6 CFIT regularly disseminate fraud intelligence to other parts of the Council and these reports have been instrumental in the prevention of attempts to defraud the covid-related grant systems by organised crime. Intelligence is also shared with Finance and Procurement which enables them to protect the Council and be aware of the current threats.

## 11. The National Fraud Initiative (NFI)

- 11.1 The current exercise is now at the stage where results are being returned for local review and assessment.

While the results are still being assessed, there are some early results:

- £20,424 in savings relating to concessionary travel passes
- £67,275 in savings relating to disabled person's blue badges

This totals **£87,699** in savings from the NFI to date which already exceeds the savings from the previous NFI exercise by £34,670.

- 11.2 16 fraud investigations have also resulted from the current NFI exercise to date.



## 12. Corporate implications

### 12.1 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.

### 12.2 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 5.3 the Counter Fraud and Investigation team has delivered £330,427 benefit to the Council through its activities in 2020/21.

### 12.3 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.

#### 12.4 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.

#### 12.5 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.

#### 12.6 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.

#### 12.7 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.

#### 12.8 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.

#### 12.9 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.

## **Appendices**

Appendix 1 – Counter Fraud Work Plan 2020/21

Appendix 2 – Breakdown of CFIT investigations 2020/21

Appendix 3 – Counter Fraud Work Plan 2021/22

Appendix 4 – Breakdown of CFIT investigations since 1 April 2021