

Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

12 January 2021

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Investigations Manager

Agenda
Item No.

6

Counter Fraud & Investigation Team: Quarterly Performance Report

A Part 1 Public Agenda Item

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 2021/22.

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 covers the period from the last report to the Committee, which used figures correct as of 5 October 2021, to 17 December 2021.
- 3.2 The team continues to enjoy a steady influx of fraud referrals and the number of active investigations is at its highest level since the current team's inception in October 2019.
- 3.3 Progress continues to be made on the CFIT Work Plan 2021/22 (Appendix 1) with the following achievements this quarter:
- Fraud awareness messages and information on how to report fraud to the Council are now being regularly posted through all the Council's and South Essex Homes' social media channels.
 - CFIT officers are enhancing the liaison with Internal Audit colleagues to review the fraud risks in the Internal Audit planned work areas, and to obtain support in respect of addressing the control weaknesses identified by CFIT. This will add weight to the counter fraud recommendations and strengthen the joint working between the teams.

- Following the lessons learned from the joint CFIT and APCOA¹ Blue Badge enforcement exercise, CFIT officers have now been authorised as Enforcement Officers² with powers to inspect and retain misused Blue Badges. A second enforcement exercise was conducted and this resulted in two badges being confiscated and one fraud investigation.
- A further Blue Badge enforcement exercise has been planned for March 2022.
- The team's Blue Badge investigation policy has been updated with a firm statement to address this type of fraud and seek harsher sanctions for offenders.
- A Blue Badge training course has been written to assist APCOA's Civil Enforcement Officers (CEOs) in their understanding of Blue Badge fraud and improve their evidence collection. This course will be delivered to all CEOs in 2022.
- The housing fraud enforcement exercise planned for October was postponed due to difficulties in obtaining tenancy data. This has now been resolved and the exercise has been rescheduled for January 2022.
- An open letter to all South Essex Homes' tenants has been delivered through their tenancy magazine. This highlights tenancy fraud and how to report it.
- Funding has now been agreed to train two CFIT officers as Accredited Financial Investigators. Once qualified, the team will be able to provide a Financial Investigation service to other areas of business in the Council, such as Trading Standards and Planning. This will enable the Council to pursue convicted offenders for the proceeds of their crimes and a portion of confiscation funds returned to the Council if successful. The use of these funds is restricted, driving up performance on asset recovery and funding local crime fighting priorities for the benefit of the community.
- A funding bid has been prepared to finance the Council's membership of CIFAS (the Credit Industry Fraud Avoidance System). This will provide access to the UK's largest cross-sector fraud sharing databases which will enhance criminal investigations for all teams who conduct this activity as well as strengthening due diligence checks, 'fit and proper person' checks and staff vetting.

3.4 CFIT officers spend one day a month joint working with South Essex Homes' Tenancy Support Officers. This encourages closer working and better understanding of the two roles. Feedback from this initiative has been both positive and productive.

¹ APCOA are the Council's traffic management and enforcement partners.

² Authorisation for plain clothes Enforcement Officers was granted under s21 of the Chronically Sick and Disabled Persons Act 1970.

- 3.5 Information Sharing Agreements have been made between CFIT and eight key areas of the Council's business. A further five have been prepared and currently await signatures. These agreements provide a legal basis for the sharing of information and will increase the efficiency of our fraud investigations. They will also allow CFIT officers direct access to various information management systems which will broaden our intelligence picture and assist with statutory obligations during prosecutions.
- 3.6 A funding bid has been prepared for the team to recruit a Counter Fraud Apprentice. This is a cost effective means of expanding CFIT's capacity and capabilities. It is expected that, as our technical fraud detection capabilities increase through activities such as data matching across the CIFAS database, more fraud will be detected. This will put a greater demand on the team's human resources both in detection and investigation activity. An apprentice is expected to enable this and give a good return on the investment.

4. Investigations

- 4.1 Since 1 April 2021, CFIT have dealt with, or are investigating, 309 cases (94 of these cases commenced prior to this date).
- 4.2 Since 1 April 2021, we have received 215 new cases of which 64 were received since the last report to the Committee.
- 4.3 Of the total 309 investigations:
- 215 have been concluded.
 - 94 investigations are active:
 - 65 are currently being investigated.
 - 5 are with legal services for prosecution.
 - 24 are awaiting assignment to an investigator.
- 4.4 A breakdown of these investigations can be found in Appendix 2.
- 4.5 Highlights this period include:
- The conviction of two individuals who intercepted and forged Council parking permits resulting in them each receiving a 12 month community order with 80 hours work and the award of £349.62 costs and a £95 victim surcharge from each of them.
 - £4,729.74 in Business Rates recouped with an added income to the Council of £4,561.81 next year following a Small Business Rates Relief investigation.
 - £559.04 recouped from fraudulently obtained Council Tax Single Person Discount.
 - Four individuals cautioned for Blue Badge misuse and one Badge confiscated saving the Council £575 in the coming year³.

³ The Cabinet Office estimates that a Blue Badge fraud costs the Local Authority £575 in lost parking revenues a year.

- Two properties recovered, saving the Council an estimated £46,000 in the next year in temporary accommodation costs⁴.
- 16 referrals to the DWP, the NCA, NATIS, Essex Police, the Environment team, and other local authorities.
- Meeting 47 DPA requests from other agencies.

4.6 Our results for 2021/22 so far are:

- 3 successful convictions for environmental, fraud and forgery offences, resulting in a £4,000 fine, a total of 160 hours community work and the award of a total £938.94 in costs.
- Council Tax Reduction Scheme Administrative Penalties⁵ agreed to the value of £2,671.29.
- £12,481.91 of fraudulently obtained Council Tax reductions and discounts recovered⁶.
- £4,729.74 in Business Rates recouped with an added income to the Council of £4,561.81 next year following a Small Business Rates Relief investigation.
- Assisting the prevention of £100,746 in fraudulent covid-related grant applications being awarded.
- £40,900 of fraudulent or incorrectly awarded covid-related grant payments recovered.
- Assisting in the recovery of five social housing properties, saving the Council an estimated £115,000 in future temporary accommodation costs⁴.
- £87,699 in savings generated by the National Fraud Initiative (see section 7).
- Three employees referred to Human Resources for misconduct issues.
- One individual removed from the social housing waiting list for failing to declare assets.
- Assessing 32 Right to Buy applications on behalf of South Essex Homes, 5 of which required further enquiries.
- Five individuals cautioned for Blue Badge misuse and two badges confiscated, saving the Council an estimated £1,150 of lost parking revenue in the coming year.
- 29 referrals to other agencies.
- Meeting 135 DPA requests for information from other agencies.

This totals **£370,878.69** benefit to the Council from CFIT's activities since 1 April 2021.

⁴ 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.

⁵ 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.

⁶ This is mainly the recovery of fraudulently obtained Single Person Discount and Council Tax Reduction.

4.7 Our current prosecutions involve:

- A procurement fraud valued at £726,884.82 (2 defendants)⁷.
- A Small Business Rates Relief fraud valued at £35,239.90.
- A Small Business Rates Relief fraud valued at £24,136.39 (2 defendants).
- Fraudulently acquiring goods from the Essential Living Fund valued at £229.95

5. Fraud prevention

5.1 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 publicising our results.
- Deterrence by having a high visibility in the community by conducting proactive detection and deterrence exercises.

5.2 The Fighting Fraud in Local Government Course, written by CFIT, has been completed by 683 officers and is rated 4.5 out of 5 stars. The Monthly Fraud Update is a newsletter for staff and the public highlighting current risks of fraud and providing advice as to how people can protect themselves. This reaches over 700 individuals.

5.3 The successful prosecution mentioned above was publicised through the local press and a press release was provided to the media team regarding our recent Blue Badge enforcement exercise.

5.4 As mentioned above, CFIT are increasing the engagement in Internal Audit's work to provide a fraud risk assessment and enhanced recommendations to strengthen any identified vulnerabilities in control arrangements.

5.5 Membership of CIFAS entails publishing Fair Processing Notices where there is an intention to search the National Fraud Databases for indications of previous dishonest conduct. This will deter corrupt suppliers and prospective employees from engaging with the Council to commit further offences.

5.6 Since 1 April 2021, CFIT have issued 34 specific fraud threat alerts to various areas of the Council's business including Procurement, Schools and Payroll.

⁷ 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.

6. The National Fraud Initiative (NFI)

6.1 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.

6.2 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).

6.3 CFIT operates as the local coordinator and key contact for the NFI at the Council: centrally organising the upload of data and the processing of returns.

6.4 The current cycle is now at the stage where results are being returned for local review and assessment.

6.5 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.

6.6 25 fraud investigations have also resulted from the current NFI exercise to date.

7. Corporate implications

7.1 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.

7.2 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 4.6 the Counter Fraud and Investigation team has delivered £370,879 benefit to the Council through its activities.

7.3 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.

7.4 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.

7.5 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.

7.6 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.

7.7 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.

7.8 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.

7.9 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.

7.10 Community Safety Implications

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

7.11 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 2021/22

Appendix 2 – Breakdown of CFIT investigations