

Southend-on-Sea City Council

Report of the Deputy Chief Executive and Executive
Director (Finance & Resources)

to

Audit Committee

on

11 January 2023

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Investigations Manager

Agenda
Item No.

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 2022/23.

2. Recommendation

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Team since the last report to the Committee in November.

3. Introduction

- 3.1 As the previous Audit Committee report covered a longer period due to the postponement of the meeting to November, this report covers a shorter period¹ and the results and achievement of the team should be considered in this light.
- 3.2 Proactive operational exercises are difficult in the winter months due to the shorter daylight hours and adverse weather. Also, residents are noticeably less cooperative during this time. It is for these reasons that CFIT's Work Plan (Appendix 1) avoids such activities at this time of year. This also provides the team with some space to address the investigations we are actively pursuing and work to reduce our backlog of cases.
- 3.3 Highlights for this period include:
- A 'Views on Sea' online blog to all staff discussing the work of the Counter Fraud & Investigation Team and highlighting employees' responsibilities to make Declarations of Interest.

¹ 07/11/2022 to 19/12/2022

- Discussions have commenced with the DWP to consider a joint working agreement. Draft documents have been provided by the DWP and these are currently being considered by Data Protection and Legal Services.
- A script to form the foundation of an Anti-Money Laundering Course has been developed and we are now working with Learning and Development to produce an online learning package for all staff.
- Our Apprentice Counter Fraud Investigator is now independently assessing referrals to the team. This is freeing up investigatory resource to concentrate on our caseload.
- Two successful prosecutions for fraud and Blue Badge offences.

4. The threat from fraud

- 4.1 Fraud has grown rapidly in recent years and now accounts for 39% of all crime in England and Wales. Estimates by the National Crime Survey show that there were 4.6 million fraud offences committed in the year ending March 2021. This is equal to the total theft and violent crime offences combined².

However, the police have only 2% of their resources dedicated to fraud investigation, despite it making up more than 40% of all crime³. A 2019 inspection of the police's response to fraud found that these offences are generally not considered to be a priority⁴.

Although the national response to the threat from fraud is improving, the scale of the threat is beyond the resources of our law enforcement agencies to tackle it alone. A significant focus of this response is focused on enabling businesses, individuals, and local authorities to protect themselves.

- 4.2 An indication of the increasing threat to the Council is demonstrated by a 2013 estimate⁵ suggesting that fraud may be costing UK local authorities £2.1bn a year. This compares to a 2017 estimate⁶ that the total annual loss to local authorities from fraud may be as high as £7.8bn.

This is a rise of £1.4bn a year: although the increase is likely to be exponential, using this figure extrapolates to **£14.8bn** in UK local authority loss from fraud in 2022.

- 4.3 The national fraud guidance for local authorities⁷ is placing an increased emphasis on proactive fraud prevention initiatives and our current Work Plan has been guided by this.

² Victims Commissioner, 2021

³ House of Commons Justice Committee, 2022

⁴ Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, 2019

⁵ National Fraud Office 2013

⁶ Centre for Counter Fraud Studies, University of Portsmouth, 2017

⁷ *Fighting Fraud and Corruption Locally: A strategy for the 2020s*, Local Government Association, 2020

5. Investigations

- 5.1 Since 1 April 2022, CFIT have dealt with, or are investigating, 350 cases (95 of these cases started prior to that date).
- 5.2 Since the last report to the Committee⁸, we have received 37 new cases.
- 5.3 Of the total 350 investigations:
- 253 have been concluded.
 - 97 investigations are active:
 - 61 are currently being investigated.
 - 6 are with Legal Services for prosecution.
 - 30 are waiting assignment to an investigator.
- 5.4 A breakdown of these investigations can be found at **Appendix 2**.
- 5.5 Our current prosecutions relate to:
- 2 offences concerning procurement fraud
 - 2 offences relating to Business Rates Small Business Rates Relief fraud
 - 1 offence relating to grant fraud (non-covid)
 - 1 offence relating to Blue Badge fraud.
- 5.6 Results this period⁹ include:
- A successful prosecution for one theft and three fraud offences relating to the use of a Blue Badge resulting in a conditional discharge for two years and the defendant having to pay £200 costs and a £22 victim surcharge.
 - A successful prosecution for the unlawful use of a Blue Badge resulting in a £100 fine and the defendant having to pay £200 costs and a £34 victim surcharge.
 - £7,041 in Small Business Rates Relief recovered.
 - £4,047 in excess Council Tax reduction recovered and a £1,000 administrative penalty imposed.
 - 3 individuals issued warnings over Blue Badge misuse and one misused badge seized, saving the Council £575.
 - 35 Data Protection Act requests for information from outside agencies were responded to, 5 Council tenants were assessed due to excess credit on their rent account, and 3 Right to Buy applications were assessed.

⁸ The figures for that report were compiled on 07/11/2022.

⁹ 07/11/2022 to 19/12/2022

6. Fraud prevention

6.1 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.

6.2 The Fighting Fraud in Local Government Course, written by CFIT, has been completed by over 685 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.

6.3 CFIT are currently developing a Money Laundering Awareness Course targeted at those areas of the business most at risk of being used to launder criminal proceeds but will be available to all staff. A preliminary script for this course has been provided to Learning and Development and we will be working with them over the coming months to deliver an online training package.

6.4 The successful prosecutions mentioned above were publicised through the local press and social media; this will continue to be done with vigour.

6.5 CFIT officers are engaging with Internal Audit's work to ensure that counter fraud protections are adequate in the areas being examined and to strengthen any identified vulnerabilities. We have provided input into the current audit of the Housing Allocations Policy and Procedure.

6.6 CFIT have issued 15 fraud alerts to various teams within the Council during the year highlighting current and emerging fraud threats that affect their areas of the Council's business.

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. 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).

7.3 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.

- 7.4 CFIT have reinvigorated the Council's engagement with this exercise since its formation and this year's cycle is expected to produce increased returns on the results of previous exercises.
- 7.5 The previous NFI cycle has now closed and the next cycle has commenced. We have recently coordinated the data gathering and upload processes for the next cycle. We have identified staff members to process the data matches when they are received, and their training will commence in advance of the reports being received from NFI.
- 7.6 The results of the data matching exercise will be released to the Council in January 2023, and we expect to start receiving reports of suspected fraud once these have been processed and reviewed by the relevant Council officers.
- 7.7 A recent report about NFI published by the Cabinet Office found the members of NFI in England had identified £417m of fraudulent or incorrect payments between April 2020 and March 2022. The report said the figure was almost double the £216m identified in the two years up to 2020, this was mainly attributed to more than a quadrupling of pension payments errors, up to £250m from £55m. The big rise was due to an increase in people receiving pensions for deceased family members and incorrect claims for injury benefits and pension abatements, the government said.
- 7.8 Public bodies also identified £24.4m from the potential misuse of blue badge parking passes, £22m from incorrect or fraudulent claims for people applying for social housing, the report said. A further £15m of housing benefit fraud was prevented from people that failed to declare an income or a change of circumstances. Local authorities also detected and prevented £45m of incorrect or fraudulent single person council tax discount claims.
- 7.9 The Cabinet Office said the NFI has identified and helped recover around £2.4bn since it was launched in 1996.

8. Corporate implications

Contribution to the Corporate Plan and Southend 2050 Road Map

- 8.1 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.
- 8.2 It does this by protecting and recovering the assets and funds that the council holds.
- 8.3 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.
- 8.4 Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

Financial implications

- 8.5 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.

Legal implications

- 8.6 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.”*
- 8.7 The work of the Counter Fraud & Investigation Team contributes to the delivery of this.
- 8.8 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.

People implications

- 8.9 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.

Property implications

- 8.10 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.

Consultation

- 8.11 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.

Equalities Impact Assessment

- 8.12 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

Risk assessment

- 8.13 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.
- 8.14 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.

Value for money

- 8.15 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.

Community Safety

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

Environmental Impact

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

Appendices

Appendix 1 – Counter Fraud Work Plan 2022/23

Appendix 2 – Breakdown of CFIT investigations