

Southend-on-Sea City Council

Report of the Executive Director (Finance and Resources)

To

Audit Committee

On

26 April 2023

Report prepared by Shaun Dutton, Counter Fraud & 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 and present the draft work programme for 2023/24.

2. Recommendation

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Team over the last three months and the proposed work programme for 2023/24.

3. Introduction

- 3.1 The team continues to be exceptionally busy and our work over the past few months has been hampered by several complex investigations which have demanded a high level of resource. However, these investigations are nearing resolution and progress on our core function investigations is expected to accelerate as this happens. Highlights from the current period include:
- 3.2 As part of the Civic Centre cost-saving reorganisation, CFIT have relocated to a new office. The relocation went smoothly, and the new office is an improvement both in location and facilities.
- 3.3 Following the last meeting of the Committee, the Learning and Development Team have confirmed that the Fraud Awareness Course and Money Laundering Awareness Course will both be mandatory for all staff, subject to Corporate Leadership Team (CLT) approval.
- 3.4 The monthly fraud newsletter is now available as an official Southend-on-Sea City Council newsletter which enables members of the public to subscribe to it via the Council's website.

- 3.5 CFIT are now engaging with the Council's Insights Team to investigate how we can harness the information held by the Council to identify potential fraud more effectively and efficiently. A pilot exercise is in the planning stage.
- 3.6 The Council's information sharing Memorandum of Understanding with HM Revenues and Customs has been renewed.
- 3.7 CFIT have now agreed to joint working with the Department of Work and Pensions on suitable cases.
- 3.8 CFIT will be hosting a CLT meeting in May. This is an excellent opportunity to raise the team's profile and the CLT's awareness of our work.
- 3.9 CFIT have also presented to the Extended Corporate Leadership Team, which includes Heads of Service, to raise awareness of the risks and signs of timesheet fraud.
- 3.10 As the days are getting longer and the weather is getting better, CFIT has commenced its proactive activity in the community after a period of consolidation and work on the results of previous exercises. In March, two exercises were conducted:
- A proactive blue badge fraud detection and deterrence exercise which has resulted in 6 investigations
 - A proactive tenancy fraud detection and deterrence exercise which resulted in 80 social tenancies being visited over two days. The results of this exercise are currently being assessed.
- 3.11 The Work Plan for 2022/23 (**Appendix 1**) is now complete. Out of 29 activities, 4 were not achieved, mainly due to the complex investigations mentioned above and the volume of cases the team have dealt with this year. One activity was abandoned due to the cost of implementation. This will be dealt with in more detail in the team's Annual Report but the activities that were not achieved have been 'rolled over' to the coming year.
- 3.12 A draft Work Plan for 2023/24 has been written (**Appendix 3**) and this will be kept under review by the team, to identify additional activities that can be delivered over the coming year.

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 combined¹.

However, the police have only 2% of their resources dedicated to fraud investigation, despite it making up more than 40% of all crime². A 2019 inspection of the police's response to fraud found that these offences are generally not considered to be a priority³.

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 estimate⁴ suggesting that fraud may be costing UK local authorities £2.1bn a year. This compares to a 2017 estimate⁵ 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 authorities⁶ is placing an increased emphasis on proactive fraud prevention initiatives and our Work Plans are guided by this.

¹ Victims Commissioner, 2021

² House of Commons Justice Committee, 2022

³ Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, 2019

⁴ National Fraud Office 2013

⁵ Centre for Counter Fraud Studies, University of Portsmouth, 2017

⁶ *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, 440 cases (96 of these cases started prior to that date).

5.2 Since the last report to the Committee⁷, we have received 89 new cases.

5.3 Of the total 440 investigations:

- 334 have been concluded
- 106 investigations are active:
 - 71 are currently being investigated
 - 8 are with Legal Services for prosecution
 - 27 are awaiting 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 concerning procurement fraud
- 1 relating to Business Rates Small Business Rates Relief fraud (2 defendants)
- 1 relating to grant fraud (non-covid), the defendant has absconded
- 1 relating to covid grant fraud and money laundering
- 3 relating to Blue Badge fraud.

5.6 Results this period⁸ include:

- £10,152.69 in council tax savings
- £8,827.50 in business rates savings
- £1,913.73 in council tax reduction savings
- £46,000 in housing savings from the prevention of fraudulent housing applications
- two social housing properties recovered saving £65,000⁹
- fraudulent covid grant applications prevented saving £16,000
- three blue badges recovered saving £1,725
- seven blue badge misuse warnings issued
- referrals made to the DWP (7), other local authorities (2) and Essex Police (1)
- 54 Data Protection Act requests answered

⁷ 19/12/2022

⁸ 19/12/2022 to 29/03/2023

⁹ One property recovered due to fraud (£42,000) and one due to abandonment (£23,000)

No prosecutions were concluded during this period, mainly due to the current long waiting times to be heard in the courts.

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 risks of fraud through 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 While difficult to measure, the commencement of proactive exercises in the community does have a deterrent effect as, for example, we know from speaking to tenants that the word is spreading across the Council's tenant population that we are looking for subletters.

6.3 As mentioned above, the Fraud Awareness and Money Laundering Awareness courses will become mandatory for all staff. Awareness of these threats and what to do about them is the first step in building a strong defence for the Council and the encouragement of a pervasive anti-fraud culture across the establishment. CFIT is very grateful for the support of the Committee in enabling this.

6.4 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 audits of Direct Payments and the Housing Allocations Policy and Procedure.

6.5 Also as mentioned above, the monthly fraud awareness newsletter is now an official Council newsletter, available for subscription or reading on the Council's website. This change in distribution was accompanied by publicity across the Council's social media channels. The aim of this newsletter is to highlight current threats to staff and the public and raise awareness of the risks and issues.

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 City Council: centrally organising the upload of data and the processing of returns.

- 7.4 The most recent data matching exercise from late 2022 is now complete, with data matching reports provided to the Council in January 2023. These reports are currently being processed by teams across the Council.
- 7.5 The matches processed to date have produced:
- £26,572.22 in Council Tax Single Person Discount savings
 - £16,957 in concessionary travel pass cancellation savings
 - £17,132 in Housing waiting list cancellation savings
- 7.6 The total benefit to the Council from the current round of the NFI is currently £60,661.22.

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

Appendix 3 – Draft Counter Fraud Work Plan 2023/24