

Meeting: Audit Committee
Date: 10 January 2024
Classification: Part 1
Key Decision: No
Title of Report: Counter Fraud & Investigation Team: Quarterly performance report

Executive Director: Joe Chesterton: Executive Director (Finance & Resources)
Report Author: Shaun Dutton: Counter Fraud & Investigation Manager
Executive Councillor: Cllr Tony Cox: Leader of Southend-on-Sea City Council

1. Executive Summary

- 1.1 The purpose of this report is 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 2023/24.

2. Recommendations

- 2.1 That the Audit Committee notes the performance of the Counter Fraud & Investigation Team over the last three months.

3. Background

- 3.1 The Counter Fraud & Investigation Team was formed in October 2019 and is dedicated to protecting the funds and assets of Southend-on-Sea City Council (the Council). We protect the Council from fraud, corruption, and losses resulting from criminal behaviour. We pursue those that commit crime against the Council and recover losses where possible.

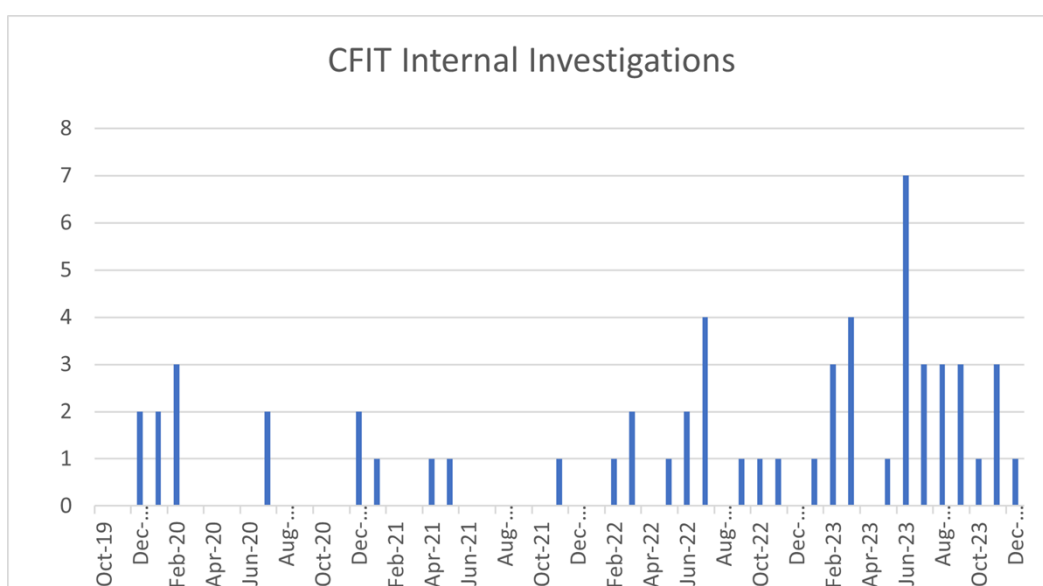
4. Summary of work this quarter

- 4.1 Due to the continuing high volume of internal enquiries that the team is dealing with, this quarter has mostly focused on reactive investigation work.
- 4.2 As mentioned in CFIT's previous report, internal investigations are time consuming and demand a high volume of human resource. This impacts on the team's ability to provide a good service to its key stakeholders. To manage this, a proactive blue badge fraud exercise has been cancelled because the training of APCOA staff in blue badge fraud detection last year has proved exceptionally successful, and a planned tenancy fraud exercise has been postponed until early 2024.

The team's Work Plan for 2023/24 can be found at **Appendix 1**.

4.3 To demonstrate the scale of the challenge this work presents to the team, the number of internal investigations the team has dealt with by year are:

Year	Internal cases
2019/20 (October to March)	7
2020/21	5
2021/22	6
2022/23	18
2023/24 (April to December)	22



The volume of internal investigations for 2022/23 and 2023/24 (so far) exceed the total investigations for the previous two and a half years.

Part of this may be attributed to the team’s success, a general raised awareness of fraud, and an increased trust from employees to report concerns. However, it is also notable that of a total of 58 investigations the team has dealt with since its formation, 44 of them are post-pandemic¹.

4.4 Findings from CFIT’s internal investigations continue to feed into the Council’s policy amendments with contributions this quarter to the Annual Leave Policy, the Residents’ Parking Permits procedures, Gifts and Hospitality Policy, and Expenses Policy.

4.5 CFIT have also been conducting a series of ‘audit spot checks’ on areas of the Council that handle cash transactions. The objectives of these are to ensure that adequate policies, procedures and security are in place to prevent and detect theft and fraud.

¹ All Covid-19 pandemic-related restrictions ended in June 2021.

- 4.6 The recruitment of an investigator to the team has been delayed due to circumstances beyond our control and we are now looking forward to welcoming our new investigator in January 2024.
- 4.7 A planned review of second homes that evade Council Tax liability was cancelled as the loophole that enabled this has been closed by the Government. Also, enquiries into Code F (probate) Council Tax exemptions provided reassurance that the Revenues Team have robust processes in place to monitor this.
- 4.8 CFIT also provided support to colleagues following the Council's data breach; providing advice, information and support including information sheets and drop-in clinics.
- 4.9 CFIT provided representation at this year's Fighting Fraud and Corruption Locally National Conference and a notable result from this was an agreement to re-establish the Essex Fraud Investigators' Group. Southend, Essex, Basildon, and Braintree Councils are currently on-board with others expected to join once it is up and running.
- 4.10 CFIT issued a communication to all staff in November to coincide with International Fraud Awareness Week to raise the awareness of fraud across the organisation. The Monthly Fraud Newsletter now has 1,200 subscribers, some of which represent groups, enquiries with subscribers suggest that the newsletter reaches approximately 2,000 residents and staff.

5. The threat from fraud

- 5.1 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.
- 5.2 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.
- 5.3 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.

² Victims Commissioner, 2021

³ House of Commons Justice Committee, 2022

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

- 5.4 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.
- 5.5 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.
- 5.6 The national fraud guidance for local authorities⁷ is placing an increased emphasis on proactive fraud prevention initiatives and our Work Plans are guided by this.

6. Investigations

- 6.1 Since 1 April 2023, CFIT have dealt with, or are investigating, 363 cases (107 of these cases started prior to that date and 256 after that date).
- 6.2 Since the last report to the Committee⁸, we have received 60 new cases. This is low for a quarter although it should be noted that this report covers a period of two months as the festive period requires the report to be written earlier than usual.
- 6.3 Of the total 363 investigations:
- 266 have been concluded
 - 97 are active:
 - 50 are currently being investigated
 - 7 are being prosecuted
 - 40 are waiting for assignment to an investigator.
- 6.4 A breakdown of these investigations can be found at **Appendix 2**.
- 6.5 Our current prosecutions relate to:
- 2 concerning procurement fraud
 - 1 concerning covid grant fraud
 - 2 concerning blue badge fraud (one of which also includes theft and forgery offences)
 - 2 concerning employee fraud.
- 6.6 We also have an outstanding prosecution for non-covid grant fraud where the defendant has absconded. A warrant has been issued for their arrest and this case has been closed pending locating the defendant.

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

⁸ 11/10/2023

6.7 Results this period⁹ include:

- A conviction for fraud by failing to disclose information in relation to Council Tax Single Person Discount resulting in a £369 fine and the award of £422 costs
- One prosecution relating to covid grant fraud was discontinued following repayment of £8,000 grant funds and meeting the Council's full costs of £848.31
- £4,997.79 in recovered Council Tax
- £5,287.95 in recovered Council Tax Reduction and Administrative Penalties
- £159.95 of Essential Living Funds recovered
- 12 Blue Badge misuse warning letters issued
- 5 expired or forged Blue Badges taken out of circulation, saving the Council £2,875¹⁰
- 4 employees resigning while under investigation
- 5 referrals to the DWP
- 5 Right to Buy applications assessed
- 23 Data Protection Act requests answered.

6.8 The total benefit to the Council from CFIT's activities this quarter is **£22,960**. This is low for the quarter due to this report covering a period of two months and the lack of NFI results available. Also, this is an indication of the impact that internal investigations are having on the team's productivity.

However, this brings the total benefit to the Council from CFIT's activities since 1 April 2023 to **£410,044.79**.

7. Fraud prevention

7.1 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 having a high visibility in the community by conducting proactive detection and deterrence exercises.

7.2 The *Fighting Fraud in Local Government* and *Money Laundering Awareness* courses, both written by CFIT are available to all staff and are mandatory for managers.

7.3 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 approximately 2,000 individuals.

⁹ 11/10/2023 to 12/12/2023

¹⁰ Blue Badges are valued at £575 which is a national standard valuation of the lost revenue from parking from Blue Badge misuse in a non-metropolitan area.

- 7.4 CFIT engages with the Internal Audit team to provide fraud risk assessments and recommendations to strengthen any identified vulnerabilities in high-risk areas of the Council's business.
- 7.5 CFIT regularly issues fraud alerts to various teams across the Council to highlight current and emerging frauds that affect their areas of the Council's business. We issued one of these this quarter.
- 7.6 CFIT has information exchange agreements with Essex Police and HMRC and these channels are very active.
- 7.7 While not all our successful prosecutions are published in the press, we issue press releases for all of them, and most are taken up for publication. The publication of these results is an important deterrence tactic.
- 7.8 As mentioned above, CFIT are actively involved in the amendment and development of Council policy and procedure to reduce the risk of fraud and protect the Council's finances and assets.

8. The National Fraud Initiative (NFI)

- 8.1 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.
- 8.2 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).
- 8.3 CFIT operates as the local coordinator and key contact for the NFI at Southend-on-Sea City Council: centrally organising the upload of data and the processing of returns. The team investigates data matches that suggest fraud may have been committed.
- 8.4 Most of the NFI work is nearing completion for this cycle and there are no results to report this quarter. However, there is a body of new matches that have recently been released and the results of these will be reported in next quarter's report. The total savings from the NFI since 1 April 2023 remains at **£158,603.43**.

9. Reasons for decisions

- 9.1 Knowledge and understanding of the Council's pro-active approach to the prevention, detection and response to fraudulent and other inappropriate activity perpetrated against the Council provides the Committee with assurance that the Council is taking the risk of such activity seriously and addressing this in an appropriate and cost-effective manner.

10. Other options

10.1 Not applicable.

11. Financial implications

11.1 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.

12. Legal implications

12.1 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.”*

12.2 The work of the Counter Fraud & Investigation Team contributes to the delivery of this.

12.3 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.

13. Policy context

13.1 This report is made in the context of the following policies:

- Counter fraud and corruption policy and strategy
- Counter money laundering policy and strategy
- Whistleblowing policy and procedure

14. Carbon impact

14.1 The Counter Fraud & Investigation Team operates in the community and therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic spread during a day.

14.2 However, the Counter Fraud & Investigation Team reduces its carbon footprint by:

- Operating an electronic case management system minimising the use of paper and printing. All documentary evidence is scanned electronically and, except where circumstances prevent it, the original is destroyed. This minimises physical storage requirements.
- Travelling by public transport wherever possible such as for court appearances, for example.
- Conducting meetings with external stakeholders remotely, minimising unnecessary travel.
- All CFIT officers have undergone Carbon Literacy training.
- Planning operational activity to minimise private vehicle use i.e., combining all necessary journeys on one day.

15. Equalities

15.1 The Counter Fraud & Investigation Team are committed to treating everyone equally and with respect.

15.2 All CFIT officers have undergone Equality and Diversity training. Our operational activity complies with the Equality Act 2010, the Human Rights Act 1998, the European Convention on Human Rights, and relevant legislation to ensure a fair and objective investigation and prosecution such as the Police and Criminal Evidence Act 1984, the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016, and the Criminal Procedure and Investigations Act 1996.

16. Consultation

16.1 Consultation has not been required.

17. Contribution to the Council's aims and objectives

17.1 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.

17.2 It does this by protecting and recovering the assets and funds that the council holds.

17.3 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.

17.4 Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

18. Risk assessment

- 18.1 Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from criminal activity. Enhancing and embedding such a culture is driven by the leadership and support of the Corporate Leadership Team.
- 18.2 While risk cannot be eliminated from the Council's activities, implementing counter fraud and corruption policies and culture will contribute to managing this risk more effectively.

19. Value for money

- 19.1 An effective Counter Fraud and Investigation Team should save the Council money and help to provide value for 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 alternative 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.

20. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	27/12/2023
Monitoring Officer	Kim Sawyer	18/12/2023
Executive Director	Joe Chesterton	27/12/2023
Relevant Cabinet Member	Leader – Cllr Tony Cox	2/1/2024

21. Appendices

21.1 **Appendix 1:** Counter Fraud Work Plan 2023/24

21.2 **Appendix 2:** Breakdown of CFIT investigations