

**Meeting:** Audit Committee  
**Date:** 24 April 2024  
**Classification:** Part 1  
**Key Decision:** No  
**Title of Report:** Counter Fraud & Investigation Team: Quarterly performance report

**Executive Director:** Joe Chesterton: Executive Director (Finance and 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). The team protects 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 The recruitment to the team's investigator vacancy has again faltered and, as a result, we have decided to take a different approach. We are in a different situation to when the post became vacant and our apprentice will be qualifying in June. She has proved to be a capable and committed investigator and, if she passes the apprenticeship, we intend to provide her with the opportunity to progress into the role.

- 4.2 CFIT continues to operate in a challenging environment, needing to address a high volume of internal investigations while maintaining a good service to our key stakeholders and protecting the Public Purse. We have received 26 referrals concerning allegations of criminal misconduct by Council Officers since April 2023 and have 14 live investigations, some of which involve more than one officer.
- 4.3 To address the team's challenges, including a substantial backlog of cases, we are preparing a business case for the expansion of the team by one investigator.
- 4.4 However, the internal investigations are beginning to produce results with three ex-officers currently being prosecuted and a further five officers being either dismissed or resigning while under investigation. It is expected that this will provide a deterrent to others that may be considering inappropriate activity.
- 4.5 During this quarter, the team have contributed to improvements made to the Council's website to enable easier reporting of fraud online, and South Essex Homes now have a webpage to report fraud which mirrors the Council's.
- 4.6 CFIT have also contributed through:
- improving the declaration of interest procedure for officers accessing the Revenues and Benefits systems
  - auditing the cash operations at the Focal Point Gallery making recommendations to enhance policy and procedure
  - auditing the cash operations at the Council Nursery making recommendations to enhance policy and procedure
  - recommendations relating to the hiring of agency staff and to ensure that these staff complete mandatory training and declarations of interest
  - recommendations relating to improvements in the procedure for leasing Council property to ensure that tenants are fit and proper persons to work with the Council
  - identification of an issue with the Council's parking app that was causing substantial problems with local hotels but has since been rectified.
- 4.7 Steps have now been taken to make the *Fighting Fraud in Local Government* and *Anti Money Laundering* courses mandatory for all staff.
- 4.8 CFIT conducted a tenancy fraud detection and deterrence exercise in February and the results of this are being assessed but it has already resulted in six investigations, mainly concerning Council Tax offences. A further exercise has been conducted at the end of March.

- 4.9 This completes the team's programme of proactive exercises for 2023/24, albeit it with one blue badge exercise cancelled due to the team's workload and the success of the APCOA Civil Enforcement Officer training initiative.
- 4.10 The Counter Fraud Work Plan for 2023/24 can be found at **Appendix 1**.
- 4.11 A long-running procurement investigation which commenced in 2013, with the prosecution launched in 2017, has resulted in a guilty plea from the main defendant. The sentencing hearing will take place in May.
- 4.12 CFIT continues to report to the management of our key stakeholders monthly.
- 4.13 CFIT continues to issue the monthly fraud newsletter to Council staff and residents.
- 4.14 Lastly, it is worth noting that the team's conviction of a blue badge fraudster in March made front page headline news in the local newspaper.

## **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 combined<sup>1</sup>.

However, the police have only 2% of their resources dedicated to fraud investigation, despite it making up more than 40% of all crime<sup>2</sup>. A 2019 inspection of the police's response to fraud found that these offences are generally not considered to be a priority<sup>3</sup>.

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.

- 5.2 An indication of the increasing threat to the Council is demonstrated by a 2013 estimate<sup>4</sup> suggesting that fraud may be costing UK local authorities £2.1bn a year. This compares to a 2017 estimate<sup>5</sup> 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 unlikely to be exponential, using this figure extrapolates to a potential **£14.8bn** in UK local authority loss from fraud in 2022.

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<sup>1</sup> Victims Commissioner, 2021

<sup>2</sup> House of Commons Justice Committee, 2022

<sup>3</sup> Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, 2019

<sup>4</sup> National Fraud Office 2013

<sup>5</sup> Centre for Counter Fraud Studies, University of Portsmouth, 2017

5.3 The national fraud guidance for local authorities<sup>6</sup> is placing an increased emphasis on proactive fraud prevention initiatives and the team's Work Plans are guided by this.

## 6. Investigations

6.1 Since 1 April 2023, CFIT have dealt with, or are investigating, 478 cases (107 of these cases started prior to that date).

6.2 Since the last report to the Committee<sup>7</sup>, we have received 97 new cases.

6.3 Of the total 478 investigations:

- 372 have been concluded
- 106 are active:
  - 43 are currently being investigated
  - 10 are being prosecuted
  - 53 are waiting for assignment to an investigator

A summary breakdown of these investigations can be found at **Appendix 2**.

6.4 Our current prosecutions relate to:

- 2 concerning procurement fraud (due to be sentenced in May)
- 1 concerning covid grant fraud (due to go to trial in September)
- 3 concerning ex-employees for fraud offences
- 3 concerning blue badge offences (including theft and forgery offences)
- 1 concerning an essential living fund fraud.

6.5 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.

6.6 Results this period<sup>8</sup> include:

- Report and evidence provided to support the recovery of 2 social properties, saving £65,000<sup>9</sup>
- Five Council officers either dismissed or resigned while under investigation
- A successful conviction for blue badge fraud resulting in a £60 fine and an order to pay £800 towards the Council's costs, with a projected saving of £575 in parking revenue
- £5,630.43 in recovered Single Person Discount and Council Tax Reduction

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<sup>6</sup> *Fighting Fraud and Corruption Locally: A strategy for the 2020s*, Local Government Association, 2020

<sup>7</sup> 12/12/2023

<sup>8</sup> 12/12/2023 to 19/03/2024

<sup>9</sup> Using local and national guideline valuations, a property recovered as the result of fraud is £42,000 and a property recovered (non-fraud) is £23,000.

- A total benefit to the Council from the NFI of £239,445.46 (see below)
- 9 blue badge misuse warnings issued
- 6 referrals to the DWP
- 7 Right to Buy applications assessed
- 27 Data Protection Act requests answered

6.7 The total benefit to the Council from CFIT's activities for this quarter is **£311,450.46**. While this can be considered a good result, the Revenues savings and property recoveries are below what we would expect and this reflects the impact of an investigator vacancy and of the resource focussed on internal investigations; so the benefit must be balanced against this work.

However, this brings the total benefit to the Council from CFIT's activities since 1 April 2023 to **£562,891.82**.

## 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, attempted 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, will be mandatory for all staff.

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.

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 aspects of the Council's business. We issued three of these this quarter.

7.6 CFIT has information exchange agreements with Essex Police and HMRC and these channels are regularly 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 noted above a blue badge conviction achieved by the team this period was published on the front page of the local press.

7.9 As also noted above, CFIT are actively involved in the amendment and development of Council policies and procedures 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 dependents who have turned 18 with households in receipt of Council Tax Single Person Discount (SPD) (the 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 The current NFI cycle is now complete. The results are reported in three categories:

- Savings from Council Tax Single Person Discount = **£60,661.22**
- Savings from all other matches<sup>10</sup> = **£133,298.64**
- Cabinet Office projection of future savings<sup>11</sup> = **£106,146.82**

8.5 Therefore, the total realised savings from this NFI cycle is £193,959.86. £60,661.22 of this was reported in the team's 2022/23 Annual Report so the total savings from the NFI for 2023/24 is **£133,298.64** and the total benefit to the Council, including the projected savings, is **£239,445.46**.

8.6 Also, the NFI generated 45 investigations, the results of which are within the rest of the case results data.

8.7 These are the best results the Council have had from the NFI and they have shown a steady progression since the current team revitalised the Council's engagement with the initiative.

8.8 While CFIT report these results and can claim that they would not have been achieved without our management, coordination, training, and advice, it should be noted that they would also not have been achieved without the dedication and hard work of officers across the Council in many areas. These officers were responsible for preparing data sets for CFIT to upload, and reviewing and actioning the returned results. These results would not have been achieved without the efforts and hard work of these officers.

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<sup>10</sup> Such as blue badges, concessionary bus passes, Council Tax Reduction etc.

<sup>11</sup> These projections consider, for example, that an incorrect Single Person Discount removed this year will save the Council money next year compared to if it wasn't detected.

## **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. Policy context**

- 12.1 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

## **13. Consultation**

- 13.1 Consultation has not been required.

## **14. Contribution to the Council's aims and objectives**

- 14.1 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.
- 14.2 It does this by protecting and recovering the assets and funds that the council holds.
- 14.3 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.
- 14.4 Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

## **15. Legal implications**

15.1 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.”*

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

15.3 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.

## **16. Carbon impact**

16.1 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.

16.2 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.



## **17. Equalities**

- 17.1 The Counter Fraud & Investigation Team are committed to treating everyone equally and with respect.
- 17.2 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.

## **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. Such a culture should be led and supported by the Senior Management 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 more effectively.

## **19. Value for money**

- 19.1 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.

**20. Report Authorisation**

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	12/4/2024
Monitoring Officer	Susan Zeiss	10/4/2024
Executive Director	Joe Chesterton	12/4/2024
Relevant Cabinet Member	Leader – Cllr Tony Cox	16/4/2024

**Appendices**

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

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