



AUDIT & GOVERNANCE COMMITTEE

Monday, 25 July 2022

Subject	Corporate Fraud Annual Report 2021/22
Report by	Councillor Maurice Cook, Cabinet Member with responsibility for Resources Councillor Richard Kerry, Cabinet Member with responsibility for Housing Councillor Edward Back, Assistant Cabinet Member for Resources
Supporting Officer	Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk 01394 444254

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	Not applicable
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

This report provides a summary of the performance of the Corporate Fraud Service for the period 1st April 2021 to 31st March 2022.

Options:

There are no options to be considered in relation to this report.

Recommendation/s:

That having considered and commented upon the activity of the Corporate Fraud Service for the year 2021/22, the Audit and Governance Committee notes the report.

Corporate Impact Assessment

Governance:

The corporate governance of the Council will be supported by embedding effective standards and strong safeguards for countering fraud and corruption.

This report has been prepared in accordance with the Audit and Governance Committee's terms of reference to: "*Monitor the counter-fraud strategy, activity and resources.*"

ESC policies and strategies that directly apply to the proposal:

This report represents the work of the Corporate Fraud Service which supports the delivery of all services across the Council as described in the East Suffolk Strategic Plan.

Associated policies are the Council's Anti-Fraud and Corruption Strategy, Anti-Bribery Policy, Whistleblowing Policy, Covert Surveillance Policy and Anti-Money Laundering Policy

Environmental:

There are no known environmental impacts arising from this report.

Equalities and Diversity:

There are no known Equality and Diversity implications arising from this report

Financial:

The prevention, detection and recovery of fraud will help reduce the financial pressure on the Council.

Human Resources:

There are no known human resources implications arising from this report

ICT:

There are no known ICT implications arising from this report

Legal:

The Corporate Fraud Service conducts investigations in accordance with the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Data Protection Act 2018, UK General Data Protection Regulation, Human Rights Act 1998, Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2019, Criminal Justice Act 2003, Social Security Administration (Fraud) Act 2001, Council Tax Reduction Scheme (Regulations) 2012, Bribery Act 2010, Prevention of Social Housing Fraud Act 2013, Proceeds of Crime Act 2002, Money Laundering & Terrorist Financing (amendment) Regulations 2019 and the Criminal Finance Act 2017.

Risk:

This report provides the results of the Council’s response to fraud risk management during the financial year. The provision of an effective Corporate Fraud Service reduces the Council’s risks related to fraudulent activity

External Consultees:

No external parties were consulted in the preparation of this report.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>

P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
How does this proposal support the priorities selected?			
The embedding of strong safeguards for countering fraud and corruption supports good governance and demonstrates effective financial management.			

Background and Justification for Recommendation

1 Background facts	
1.1	East Suffolk Council has a zero-tolerance approach to fraud and corruption, and has a dedicated Corporate Fraud Service with a comprehensive programme of proactive and reactive anti-fraud work
1.2	The Corporate Fraud Service will investigate any aspects of fraud activity relating to the Council, partnerships and their services, whilst considering the risk of loss to the Council, loss of the services to its residents and reputational damage this may cause.
2 Current position	
2.1	Each year the Corporate Fraud Service expects to recover at least two times the cost of the Service from preventing fraudulent cases or identifying fraudulent payments for recovery. Full details of the value of the anti-fraud work carried out during 2021/22 can be seen in Appendix A of this report.
3 How to address current situation	
3.1	The Council will continue to uphold its zero-tolerance approach in working towards the prevention, detection and prosecution of fraud and corruption, as set out in the Corporate Anti-Fraud Business Plan 2021/22 presented to the Committee in March 2021
4 Reason/s for recommendation	
4.1	This report is being presented to the Audit & Governance Committee to ensure the Committee is apprised of the Corporate Fraud work and performance over the last year, and in accordance with the Committee's terms of reference which stipulate (amongst other functions) that the Committee shall: 'Review the assessment of

	fraud risks and potential harm to the Council from fraud and corruption; and 'Monitor the counter-fraud strategy, activity and resources'
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Appendices

Appendices:	
Appendix A	Corporate Fraud Annual Report 2021/22

Background reference papers:		
Date	Type	Available From
Mar 2021	Corporate Anti-Fraud Business Plan 2021/22	CMIS

Appendix A



CORPORATE FRAUD ANNUAL REPORT 2021/22

Introduction

- 1.1 East Suffolk Council has a dedicated Corporate Fraud Service whose function is to investigate any aspects of corporate fraud activity relating to the Council, Partnerships, and their services, considering the risk of fraud, error and loss to the Council and the reputational damage this may cause. The Council has an overall zero-tolerance approach to fraud and corruption. The Service submitted a comprehensive programme of proactive/reactive anti-fraud work which was presented to the Audit and Governance Committee and approved in March 2021. The Service has also continued with the various Covid Business Grant fraud prevention checks required by Central Government.
- 1.2 Local Authorities' powers increased in 2013, with the introduction of the Local Council Tax Reduction Scheme (LCTRS) Regulations (replacing Council Tax Benefit). Currently most Council Tax Single Person Discount (SPD) and LCTRS checks are undertaken by the Anglia Revenues Partnership (ARP). This includes the NFI results (National Fraud Initiative Exercise) allocated to them - see the Annex to this report for their declared results which are a mixture of proactive exercises, and fraud & error investigations. From 1st May 2015, the Department of Work and Pensions took responsibility for the statutory function of investigating Housing Benefit fraud.
- 1.3 A continued focus during 2021/22 has been to maintain working relationships and closer liaison across specific service areas to widen the scope of the Corporate Fraud Service to provide fraud awareness training to show how fraud could permeate into their areas of work. This has been very apparent since the Covid Business Grants and the Service has been able to demonstrate their value in the confidential avenues of enquires they could undertake to ascertain certain fraudulent activity and provide confidential national fraudulent intelligence to the Covid Team and Finance.

Resources

- 2.1 The Corporate Fraud Service during 2021/22 consisted of one full time Manager, two full time Investigation Officers and a part time Intelligence Officer who work under the direction of the Head of Internal Audit. The Head of Internal Audit is an Accredited Senior Appropriate Officer authorised by the National Crime Agency (NCA) in relation to financial investigation of suspected money laundering.

During the 2021/22 year the Council lost its in-house accredited Financial Investigator, but through the longstanding partnership with Ipswich Borough Council the Counter Fraud Service has access to 1.5 FTE accredited Financial Investigators which provides the Council with an opportunity to recoup financial losses as a result of any money laundering activity. East Suffolk Council hopes to replace their Financial Investigator post within this financial year.

- 2.2 Each year the Corporate Fraud Service expects to recover at least twice the cost of the Service from preventing fraudulent cases or identifying fraudulent payments for recovery. The Service cost £218k in 2021/22. The value of anti-fraud work is a combination of qualitative value, i.e. the value placed upon deterrent activity, plus financial values of the opportunity costs saved, and this equated to a figure of £2,163,007. Further details of how this figure has been calculated are reported in Appendix A.

Activity and Performance

- 3.1 The Head of Internal Audit directs and monitors the overall performance of the Corporate Fraud Service. The day-to-day management of the Service resides with the Corporate Fraud Manager. This report represents the performance/outputs of the Corporate Fraud Service during 2021/22. It is acknowledged that East Suffolk Council has retained its social housing stock and a considerable amount of the fraud work has been undertaken under the Prevention of Social Housing Fraud Act 2013 and the Right to Buy (RTB) regulations.
- 3.2 The Corporate Fraud Service investigated a variety of cases during the period 1st April 2021 to 31st March 2022 including:
- Covid Business Grants *
 - Right to Buy *
 - Social Housing Fraud *
 - Council Tax
 - Council Tax – Single Person Discount
 - Local Council Tax Reduction Scheme
 - Housing Benefit
 - Disabled Facilities Grant

- Business Rates (National Non-Domestic Rates)
- Rent payments
- Community Infrastructure Levy Payments
- Gateway to Home Choice applications
- National Fraud Initiative – (statutory Government led-exercise)

** Main areas of related fraud work undertaken this year*

Government Covid Business Grants (April 2020 onwards)

3.3.1 The Corporate Fraud Service along with their Audit colleagues have directed a large amount of resourcing to prioritising pre and post payment due diligence fraud checks, and intelligence gathering to ensure the correct recommendations are made to the team administering Covid Business Grants. All the relevant teams have worked well together to ensure the grants were paid in accordance with the national guidelines, and considering the risk of fraud and error.

Relevant Covid business grant schemes and the financial year each scheme was active are:

- Small Business Grant Fund (2020/21)
- Retail, Hospitality and Leisure Grant Fund (2020/21)
- Local Authority Discretionary Grant Fund (2020/21)
- Local Restrictions Support Grant (2020/21)
- Additional Restrictions Grant (2020/21 & 2021/22)
- Restart Grant (2021/22)
- Omicron Hospitality and Leisure (OHL) Grant Fund (2021/22)

For active schemes during 2021/22 the Corporate Fraud Service provided strategic advice on fraud risk, managed the Council's fraud risk assessment, applied appropriate counter-fraud tools to all grant applications received, and coordinated intelligence-gathering where necessary. Work on post payment checks and investigating cases of suspected fraud remain ongoing.

Right to Buy (RTB)

3.3.2.1 A vital area of work undertaken the Corporate Fraud Service undertake is the robust "due diligence" checks on all "Right to Buy" (RTB) application forms submitted to the RTB Team, comprising:

- Tenant's legal right to buy the property
- Tenant's residence at the property
- Verify source of funding, including funds from third parties (including gifts/loans)
- Interviews with tenants and any third parties
- Identity verification

3.3.2.2 The RTB Team (Housing), receipt each RTB application form and undertake their own tenancy checks and request the relevant valuation to advise the Tenant accordingly. The Corporate Fraud Service then receive the RTB form for checks etc. The teams work well together and once the Investigator has interviewed all participants and undertaken due diligence checks on Identity, tenants' details and any third party "gifting" or supplying the funds to purchase the property, the RTB application is recommended to proceed to the RTB Team then onwards transmission to the Legal Team. The financial circumstances and documentation provided is checked to ensure the purchase money/gift has been derived from legitimate means before recommended for sale.

Right To Buy Results 2021/22:

3.3.2.3 The Corporate Fraud Service (CFS) received 64 RTB application forms from the RTB team During 2021-2022.

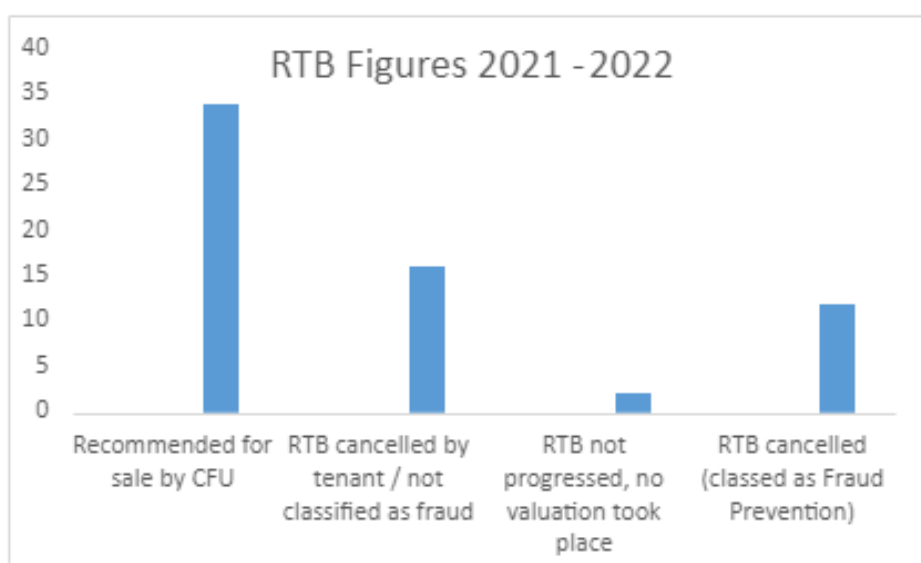


Figure 1: Outcomes of Right to Buy cases following their referral to the Corporate Fraud Service

As shown in Figure 1, the RTB's have been classified into four areas:

RTB's recommended for sale by the CFS

Thirty-four applications were recommended by the Corporate Fraud Service to the RTB Team and the Legal Team during the year 2021/22 following satisfactory interviews, financial and residency checks. The combined market value of these 34 properties was £5,299,200. The tenant's discount was a total of £2,388,672. Therefore, the actual monetary value due to the Council was £2,910,528 for these social properties now withdrawn from the Housing stock.

RTB's cancelled by the tenant for varying reasons (notified such as uncertainty/lack of funds etc), not classified as fraud

Sixteen RTB applications were cancelled by the tenant (not classified as fraud). These applications were cancelled by the tenants for

reasons unknown. They had an actual total market value of £3,070,500. The discount the tenants received would have been £1,219,255, so actual value of these social houses would have been £1,851,245 had they been sold and withdrawn from the housing stock.

RTB's not progressed, and no valuation took place

Two RTB applications have been cancelled without fraud intervention. These applications did not progress, and no valuation was undertaken. From checking "Zoopla" estimations they had an approximate joint market value of £263,000. One a 3 bed roomed house and 1 bed flat. They now remain in the Council's Housing Portfolio.

RTB cancelled with an aspect of fraud intervention etc

Twelve RTB applications have been classified as cancelled with fraud involvement despite reminders, undeclared CCJ's identified, no documentary evidence provided by the tenant therefore did not proceed. All applicants are advised by letter they will be interviewed by the Corporate Fraud Service and must provide appropriate identity/ financial documentation etc of all participants to support the application. As a result, these 12 properties, with a combined current market value of **£1,704,500**, remain part of the Council's Housing portfolio. The intervention of Corporate Fraud Services has assisted financially by safeguarding the actual market value of each of these ESC properties, alongside retaining these within the housing portfolio, there is also the continued additional income from rent payments. If these properties had been sold based on individual tenants' discount (NB: the discounts all differ in each RTB application depending on qualifying years served as a social tenant) the discount granted would have amounted to £844,560 had the sales progressed, with £859,940 sales income for the Council's housing revenues account.

- 3.3.2.4 For the 34 RTB sales recommended to proceed Figure 2 shows the East Suffolk Council geographical areas each property was located in, including the indicative agreed price and discount applied per geographical area.

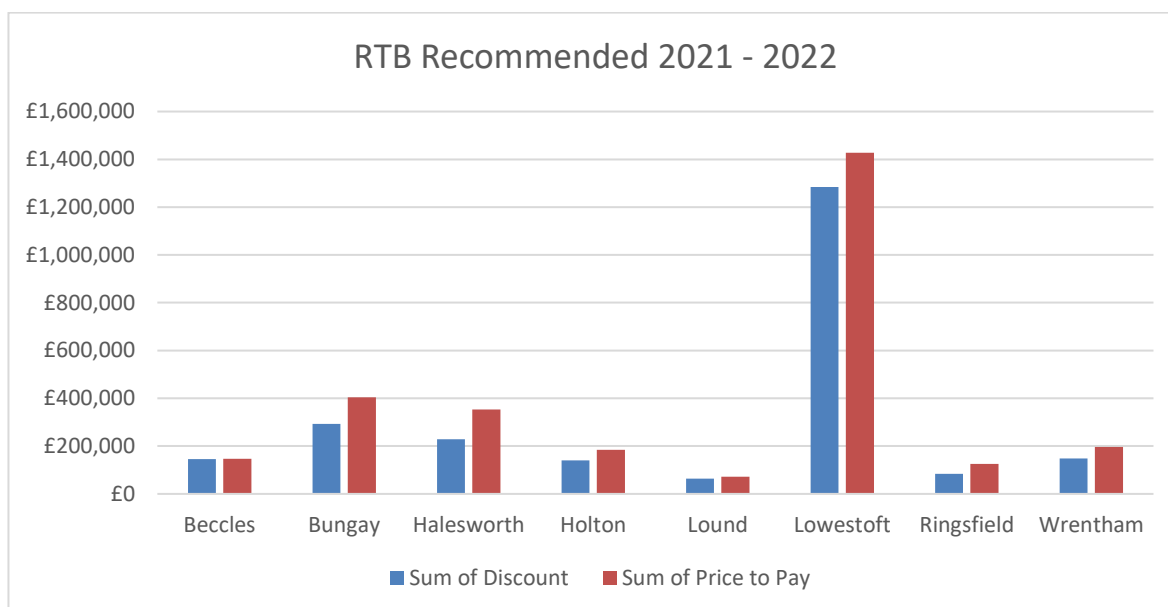


Figure 2: Sale price by geographic area, broken down by discount and sale price due to the Council

3.3.2.5 For the 34 RTBs where the sales were recommended to proceed Table 1 shows the RTB accommodation types against the East Suffolk Council geographical area where each property was located.

	Bungalow		Flat		House			<i>Totals</i>
	1 bed	2 bed	1 bed	2 bed	2 bed	3 bed	4 bed	
Beccles						2		2
Bungay					1	3		4
Halesworth						3		3
Holton					1	1		2
Lound	1							1
Lowestoft		1		1	1	14	2	19
Ringsfield						1		1
Wrentham						2		2
Totals	1	1		1	3	26	2	34

Table 1: East Suffolk property types sold and location

Social Housing Fraud

3.3.3 Social housing fraud, also known as tenancy fraud, deprives legitimate and deserving tenants of access to affordable homes and has a direct impact on local people, their families, and communities.

East Suffolk Council currently has 4,799 people (families) registered on their Housing Register

3.3.4 The Corporate Fraud Service has received suspected tenancy fraud referrals which have been / or are currently being investigated. The Service has also received external public fraud referrals ref other Social Housing Associations and liaise accordingly. The Council has additional powers under the Prevention of Social Housing Fraud Act 2013 to undertake financial/household enquiries to prevent fraudulent activity to establish whether any criminal offences have been committed in respect of the tenancy (abandoned properties etc). Currently Social Landlords do not have these powers.

3.3.5 The cost of tenancy fraud has been reported in several Local Government Fraud publications. Nationally reported figures suggest notional costs ranging from £18,000 to £93,000 per property recovered. This is considered with the annual current cost of temporary accommodation (£18,000pa+), depending on the size of the family, available accommodation, places where suitable and the duration for which a fraudulent tenancy may continue undetected (4 years). Other non-recoverable costs include legal costs to recover the property; re-let costs; and rent forgone during the void period between tenancies (£21,000 approx.). Therefore, individual Councils have differing costs in respect of tenancy fraud, depending on their geographical area and individual cases.

3.3.6 Within the cases reviewed (some are still under investigation), four properties were returned to the housing stock as a consequence of the investigation and joint verification due diligence fraud checks by the Investigator and the Housing Officer. The prevention of potential financial loss to the Council per property recovered is calculated using the notional figure as previously advised by the National Fraud Initiative (NFI) – Cabinet Office – October 2017.

Tenancy recovered	No	Value
Notional Savings @ £93,000	4	£372,000.00
	Total	£372,000.00

Financial Impact from other Fraud Activity

3.3.7.1 Council Tax

	No	Value
Council Tax Fraud Irregularities	2 cases	£3,669.32
	Total	£3,669.32

3.3.7.2 Council Tax - Single Person Discount

	No	Value
Single Person Discount	5 cases	£1,815.87
	Total	£1,815.87

3.3.7.3 Local Council Tax Reduction Scheme

	No	Value
Local Council Tax Reduction	5 cases	£4,467.97
	Total	£4,467.97

3.3.7.4 Housing Benefit

	No	Value
Housing Benefit overpaid	4 cases	£17,604.78
	Total	£17,604.78

3.3.7.5 Disabled Facilities Grant

	No	Value
Disabled Facilities Grant falsely claimed	1 case	£6,422.27
	Total	£6,422.27

3.3.7.6 Business Rates (NNDR)

Cases have primarily related to recovery of Small Business Rate Relief (SBRR)

	No	Value
SBRR	6 cases	£44,312.19
		£44,312.19

3.3.7.7 Rent payments clawback following Investigation

	Value
ESC Rent clawback	£8,214.61
	£8,214.61

3.3.7.8 National Fraud Initiative

The Corporate Fraud Service continues to participate in the 2021/22 Cabinet Office National Fraud Initiative (NFI) data matching exercise, which is currently ongoing. Most CTAX/SPD/LCTR matches are undertaken by Anglia Revenues Partnership and their results are shown in the Annex to this report.

Other Fraud Activity

3.3.8 Embedding an anti-fraud culture

Through the strategic lead of the Head of Internal Audit, the Corporate Fraud Service (East Suffolk Council and Ipswich Borough Council) have co-operated in the development of common processes, policies, and training throughout the last year and will continue in the future.

3.3.9 The Regulation of Investigatory Powers Act 2000 (RIPA)

The Head of Internal Audit is the Council's single point of contact for the Surveillance Commissioner for information gathered under the RIPA Act and/or the Investigatory Powers Act 2016, relating to relevant data etc, before being submitted to the National Anti-Fraud Network for consideration and approval. The Head of Internal Audit provides an annual return to the Surveillance Commissioner and requests, who undertakes regular inspection of the Council's activities.

In the 2021/22 year there were no requests for surveillance submitted to the Head of Internal Audit.

The Corporate Fraud Service organises relevant RIPA/IPA training for all the Council's Enforcement Officers who are in this field of work. This refresher training programme is due to be rolled out in 2022 and will also include Heads of

Service who authorise RIPA/IPA surveillance to ensure compliance with the Surveillance Commissioner's inspection, to lawfully authorise surveillance.

3.3.10 Council Members Training

An external specialist training company was commissioned to provide an online Fraud and Corruption Awareness training session during the last year. All Council Members were given an opportunity to attend this training and it is anticipated that further awareness sessions will be delivered in 2022/23.

In addition, an external Cyber Security Specialist was commissioned to provide online training for Council Members on "Protecting Yourself and Your Organisation from Cyber Crime".

3.3.11 Corporate Fraud Training

An ongoing programme to support Council staff in managing fraud risk exists. During 2021/22 the Corporate Fraud Service facilitated internal training to specific service areas including housing and customer services in relation to identification fraud during 2021/22.

3.3.12 Proceeds of Crime Act 2002 and Money Laundering Regulations (POCA part 7 /The Terrorism Act) Training

The Head of Internal Audit is also the Council's Money Laundering Reporting Officer responsible for reporting incidents to the National Crime Agency when identified. All members of staff are required to be aware of money laundering risks in order to prevent criminals using the Council to facilitate money laundering or terrorist financing.

A specialist external company was sourced to provide specialist Anti Money Laundering training to relevant teams within the Council in respect of the legal requirements and potential criminal offences. These half-day training sessions took place over 6 sessions during the last year with approximately 90 staff attending from key service areas. Additional sessions have been held in April 2022 and more programmed later in the 2022/23 year.

3.3.13 Groups and Partnerships

During 2021/22 the Head of Internal Audit and Corporate Fraud Service have been instrumental in the re-introduction of the Enforcement Officers Group (EOG), with the Group's first meeting held in May 2022. The EOG provides a forum for policies and procedures to be discussed and standardised, enabling

the Legal Team to receive a standard case file for their attention, increasing Council efficiency and consistency, and facilitating best practice discussions.

All Corporate Fraud Service staff are members of the National Anti-Fraud Network and the Local Authorities Intelligence Officers Group. This is an essential asset in the fight against national fraud as intelligence alerts are regularly disseminated across these groups to highlight current fraud risks and specific attempts of fraudulent activity.

The Internal Audit and Corporate Fraud Services have a partnership agreement with Ipswich Borough Council. This allows resource sharing, increased resilience, access to additional specialist counter-fraud staff resources and, where appropriate, intelligence sharing and joint working opportunities.

Conclusion

- 4.1 The work of the Corporate Fraud Service, supported by Housing Teams, RTB Team, Legal Team, DFG, and Finance Teams, has resulted in financial benefit to the Council and overall Public Purse by investigating, preventing, and identifying fraudulent values as follows for the year 2021/22:

Fraud Area	Financial Benefit of CFS Intervention
Right to Buy	£1,704,500.00
Social Housing Fraud	£372,000.00
Council Tax	£3,669.32
Council Tax SPD	£1,815.87
LCTRS	£4,467.97
Housing Benefit	£17,604.78
Disabled Facilities Grant	£6,422.27
Business Rates SBRR	£44,312.19
Rent payments	£8,214.61
Total:	£2,163,007.01



Annex to Appendix A

National Fraud Initiative Results 2021/22 Anglia Revenues Partnership

Anglia Revenues Partnership advised the following:

The tables show the results of the work undertaken by the Council's shared service partner, the Anglia Revenues Partnership, over the financial year. These results include the savings as defined by the National Fraud Initiative (NFI) and a pro-active review of all new Council Tax Single Person Discount awards. The Local Council Tax Reduction Scheme is a result of investigations, and the Business Rates/Council Tax savings are because of proactive work by the Visiting Officers (spotting new businesses on visits etc).

ARP also completed two successful prosecutions and issued three Administrative Penalties.

East Suffolk - Totals			
LCTRS (Local Council Tax Reduction Scheme)			£45,880.31
SPD (Council Tax Single Person Discount)			£425,771.00
Tenancy Fraud			£0.00
Business Rates			£15,074.06
Council Tax			£23,317.49
Band D equivalent (SPD)	503	101.1	
Band D equivalent (CT)	10	2.6	
East Suffolk Preceptor	£75,523.24		
Total			£510,042.86