



CORPORATE FRAUD ANNUAL REPORT 2020/21

1 INTRODUCTION

- 1.1 East Suffolk Council has a dedicated Corporate Fraud Service and has an overall zero-tolerance approach to fraud and corruption. The Team had a comprehensive programme of proactive and reactive anti-fraud work which was approved and due to be undertaken in 2020/21. However, due to the impact of the Covid-19 pandemic from March 2020 and curtailment of external fraud work, Right to Buy (RTBs), tenancy visits etc, this programme was severely affected up to the current date. The Team had to undertake new working practices in times of uncertain risks and challenges.
- 1.2 The Corporate Fraud Service core function is to investigate any aspects of corporate fraud activity relating to the Council, its partnerships and their services, considering the risk of fraud and error and loss to the Council and reputational damage this may cause. Large anti-fraud focus this year relates to the Government's Covid-19 Business Grants, whereby fraud increased by over 400% in the first few months of the Covid pandemic nationally.
- 1.3 A continued focus during 2020/21 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 with the Covid Business Grants, and the Team were able to demonstrate their value in the confidential avenues of enquires they could undertake to ascertain certain fraudulent activity and provide confidential national intelligence to either recommend or not recommend payments of these grants.

2 RESOURCES

- 2.1 The Corporate Fraud Service consists of one full time Manager, two full time Investigation Officers and a part time Intelligence Officer. The Service works across East Suffolk Council, and sits within Internal Audit Services under the direction of the Head of Internal Audit and Fraud. The Head of Service is an Accredited Senior Appropriate Officer, and one Officer is an Accredited Financial Investigator, both authorised by the National Crime Agency (NCA) which provides the Council with an opportunity to recoup financial losses because of fraudulent activity.
- 2.2 The Internal Audit and Corporate Fraud Services have a contract with Ipswich Borough Council. This provides additional resources if required, as well as the services of two

further NCA Accredited Financial Investigators, if required.

- 2.3 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 £187k in 2020/21. 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 £1.8 million in 2020/21.

3 PERFORMANCE / OUTTURN

- 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 2020/21. It is acknowledged that East Suffolk Council has retained its social housing stock, and due to the Covid restrictions the fraud work has been restricted in this area under the Prevention of Social Housing Fraud Act 2013 and the Right to Buy (RTB) regulations. Some cases have an element of other irregularities e.g., Council Tax Single Person Discount (SPD), Local Council Tax Reduction Scheme (LCTRS), RTB (non-entitled) etc which are usually dealt with by this Team.

- 3.2 The Corporate Fraud Service investigated a limited variety of fraud cases which the Council was vulnerable to during the period April 2020 to March 2021 including:

- Covid Business Grants *
- Right to Buy *
- Social Housing Fraud (Prevention of Social Housing Fraud 2013) *
- Gateway to Home Choice applications
- Local Council Tax Reduction Scheme
- Council Tax Reduction Scheme
- Single Person Discount
- National Fraud Initiative – statutory Government led-exercise)

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

- 3.3 We have recorded a total of 93 Corporate Fraud referrals for this year.
- 3.4 The Anglia Revenues Partnership (ARP) delivers revenue and benefit services for the Council and have also contributed positively to anti-fraud activity and Appendix A.1 details their declared results, which are a mixture of application error, non-compliance, proactive exercises, and fraud.

4 GOVERNMENT COVID BUSINESS GRANTS

- 4.1 The Corporate Fraud Team along with Audit colleagues assisted with due diligence fraud checks, intelligence gathering and identifiable fraud issues providing recommendations to the Covid Team to request further documentation and/or enquiries to be undertaken prior to granting the Government Covid Emergency Business Grants to those eligible to receive this grant. The Team were able to demonstrate their value in the confidential avenues of enquires they could undertake to prevent and detect certain fraudulent activity and provide confidential national fraudulent intelligence to either recommend or not recommend payment of these grants. The grants the Team were involved in related to the following:

- Small Business Grant Fund
- Retail, Hospitality and Leisure Grant Fund

- Local Authority Discretionary Grant Fund
- Local Restrictions Support Grant
- Additional Restrictions Grant
- Restart Grants from 1 April 2021 (considerable risk preventive work was undertaken prior to the commencement date.)

5 RIGHT TO BUY (RTB)

- 5.1 A vital area of work undertaken by the Corporate Fraud Service this last year has been curtailed due to the Covid restrictions for a substantial amount of the year. When these restrictions were gradually lifted the Team continued to operate a robust “due diligence” reference check on all “Right to Buy” (RTB) application forms submitted during this period, along with our colleagues from the RTB Team. The application forms were still being accepted and logged by the RTB Team from March 2020, however due to the Covid pandemic no audit, site visits or interviews took place until later in the year. However, we still recorded 45 Right to Buy Applications from April 2020 to end March 2021. The Fraud Team requested the relevant ID/bank documentation etc prior to the interview of the tenant(s) or family members which then took place via Zoom or Skype, to ensure the due diligence money laundering checks were undertaken. Under the Proceeds of Crime Act 2002 and the Money Laundering & Terrorist Financing and Transfer of Funds Regulations Act 2017, financial checks must be undertaken to ensure that social housing is not being purchased under the RTB legislation using criminal assets. Following the relaxation of the Covid restrictions the RTB Team and Fraud Team have been inundated with RTB applications from tenants wishing to purchase their social housing.
- 5.2 The Corporate Fraud Service undertakes due diligence checks on the following for each RTB case referred by Tenancy Services:
- 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.
- 5.3 No Council RTB property is sold unless the Corporate Fraud Service is satisfied that the tenant’s identity, circumstances, and finances have been derived from legitimate sources.
- 5.4 Figure 1 below provides details of all referrals made to the Corporate Fraud Service in 2020/21 and the ultimate results of each case.

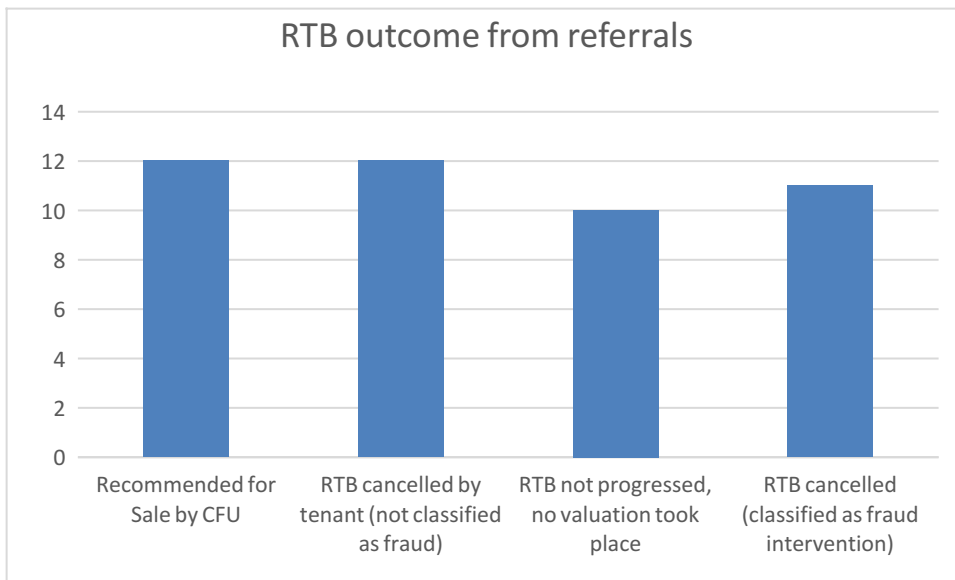


Figure 1: Outcomes of Right to Buy cases following their referral to the Corporate Fraud Service

5.5 As shown in Figure 1, as expected due to the turmoil and uncertainty of Covid, several RTB applications submitted during April 2020 to 31 March 2021 did not progress following referral to the Corporate Fraud Service. These have been classified into three areas, (a) those cancelled with an aspect of fraud intervention, (b) Those cancelled by the tenant for varying reasons (such as uncertainty and/or lack of funds) that were notified, and (c) those that have not undergone additional verification by the Corporate Fraud Service and no valuation took place:

- (1) 11 RTB applications have been classified as cancelled with an aspect of fraud intervention despite fraud reminders and no evidence submitted as to why this did not proceed further. As a result, these properties, with a market value of £1,674,000, remain part of the Council's housing portfolio due to the intervention of the Corporate Fraud Service.
- (2) 10 RTB applications have been cancelled without fraud intervention. These applications did not progress, and no valuation was undertaken. They had a market value of £1,700,000 (based on Zoopla figures). These properties remain part of the Council's housing portfolio.
- (3) 12 RTB applications cancelled by the tenant (not classified as fraud). They had a market value of £1,813,500. These properties remain part of the Council's housing portfolio.
- (4) 12 RTB applications were recommended following satisfactory interviews, financial and residency checks. The combined market value of these 12 properties was £1,775,100. Following the application of relevant discounts totalling £837,595 the income due to the Council from these agreed sales was £937,505.

5.6 Figure 2 below shows the East Suffolk Council geographical areas where the RTB sales were recommended to proceed, breaking down the agreed price and discount applied per geographical area.

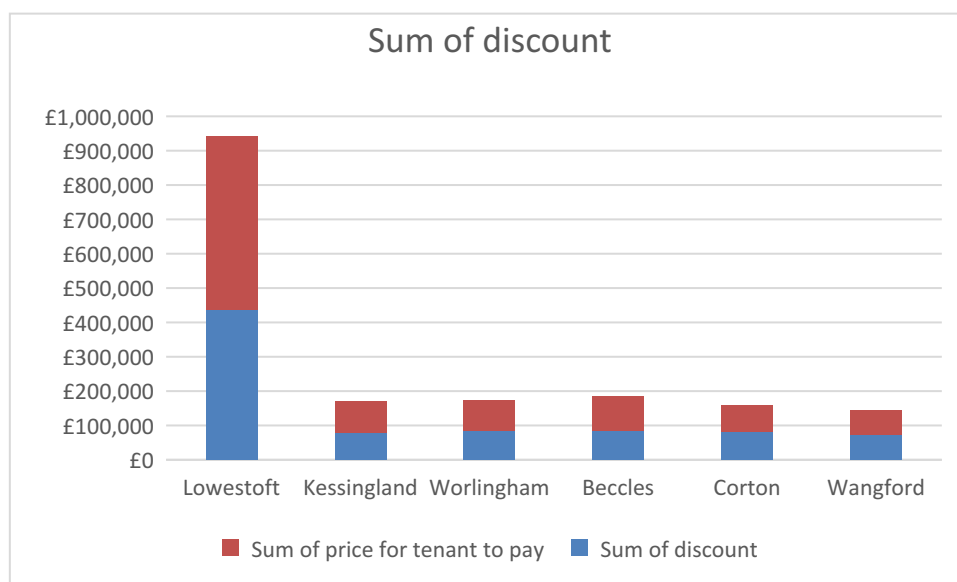


Figure 2: Sale price by geographic area, broken down by discount and sale price due to the Council

6 SOCIAL HOUSING FRAUD (TENANCY FRAUD)

- 6.1 Social housing fraud deprives legitimate tenants of access to affordable homes and has a direct impact on local people, their families, and communities. No more so than during this pandemic when accommodation was at a premium and councils struggled to find accommodation suitable for homeless people, as per the Government’s Emergency Covid Regulations.
- 6.2 The Corporate Fraud Service has received 22 case referrals in the area of suspected Tenancy Fraud which have been/are currently being investigated. The Service has received external public fraud referrals re other Social Housing Associations. 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 (not living in the property as their main and principal home etc). Currently Social Landlords do not have these powers.
- 6.3 The Cabinet Office National Fraud Initiative (NFI) calculation methodology advise the notional value of £93,000 per property recovered based on the average four-year fraudulent tenancy and an estimate of the duration that the fraud may have continued undetected. This includes temporary accommodation for genuine applicants; legal cost to recover property; re-let cost; and rent foregone during the void period between tenancies.
- 6.4 Within the last year, of the cases reviewed (some current), two properties were returned to the housing stock, due to investigation joint checks by the Investigator and Housing Officer. The prevention of potential financial loss to the Council per property recovered is calculated using the National Fraud Initiative figures as above.

Tenancy recovered	No	Value
Notional Savings x2 @ £93,000	2	£186,000
Total		£186,000

7 OTHER INVESTIGATIVE AREAS

7.1 The Corporate Fraud Service also investigate other areas shown below (along with another case classification) which to date have resulted in savings as follows:

7.2 **Council Tax – Single Person Discount**

SPD	No	Value
	6 cases	£1,867.08
Total		£1,867.08

7.3 **Housing Benefit**

Housing Benefit	No	Value
Housing Benefit overpaid	4 cases	£10,397.05
Total		£10,397.05

7.4 **Community Infrastructure Levy Scheme**

CIL payment	No	Value
None adhering to CIL regulations	1 case	£2,619.31
Total		£2,619.31

7.5 **Local Council Tax Reduction**

LCTR	No	Value
	2 cases	£1,689.56
Total		£1,689.56

7.6 **National Non-Domestic Rate Small Business Rate Relief Savings**

NDR SBRR Savings	No	Value
Not compliant	4 cases	£22,469.99
Total		£22,469.99

7.7 **Council Tax**

Council Tax	No	Value
	1 case	£478.62
Total		£478.62

7.8 **National Fraud Initiative**

The Corporate Fraud Service continues to participate in the 2020/21 Cabinet Office National Fraud Initiative (NFI) data matching exercise, which is currently ongoing.

8 EMBEDDING AN ANTI-FRAUD CULTURE (VARIOUS ASPECTS)

8.1 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. The Anti-Fraud and Corruption Strategy has been reviewed, along with the Regulation of Investigatory Powers

Act 2000 (RIPA) Policy and the Whistleblowing Policy.

8.2 The Regulation of Investigatory Powers Act 2000 (RIPA) and Investigatory Powers Act 2016

- 8.2.1 The Head of Internal Audit and Fraud is the Council's single point of contact for The Surveillance Commissioner for information gathered under the RIPA Act 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 Strategic Head is answerable to the Surveillance Commissioner and returns are submitted to them on a yearly basis and as a result an inspection is undertaken by the Commissioner every two years. The Corporate Fraud Service management organises relevant RIPA/IPA training for all the Council's Enforcement Officers who are in this field of work.
- 8.2.2 In the year 2020 to 2021 East Suffolk Council submitted a NIL Return for surveillance requests completed by the Head of Internal Audit to the Surveillance Commissioner.

8.3 Council Members

- 8.3.1 All Council Members were given an opportunity to attend a Fraud and Corruption Awareness training session delivered via Zoom on 26 October 2020, by an external specialist provider. It is anticipated that further fraud awareness sessions will be delivered in 2021/2022.
- 8.3.2 To negate the possible fraud risks in respect of recruitment (such as allowing someone to be employed based on false documentation), Fraud management are currently creating a fraud awareness on-line training session for all new employees. This is to ensure understanding of what constitutes fraud risks not just for the local Council but the county and wider community and to report any issues to the Corporate Fraud Team.
- 8.3.3 All the Corporate Fraud Officers are members of the National Anti-Fraud Network and the Local Authorities' Intelligence Officers Group. These proved valuable though the Covid pandemic as National Fraud intelligence alerts were regularly disseminated to the relevant Teams to identify Covid scams that were prevalent during the pandemic.
- 8.3.4 A representative of the Fraud Team attends the Council/Landlord Stakeholders meetings, to promote the **Fraud Hotline of 01394 444444** and the email of **fraud@eastssuffolk.gov.uk**.

8.4 Proceeds of Crime Act 2002 and Money Laundering (Part 7)

- 8.4.1 The Fraud Team will provide training in the above to other relevant teams within the Council on the legal powers available to recover money obtained fraudulently by criminal acts. This programme will be rolled out in 2021/22. The Head of Internal Audit is the Councils Money Laundering Reporting Officer.

8.5 Cybercrime

- 8.5.1 Cybercrime is an important area of corporate fraud risk to the Council with the internet being at the centre of daily life, especially during the Covid pandemic. This can mean anything from unsecured devices, business fraud, identity fraud, online transactions, dubious invoices, scams etc. During the last year this has been more than prevalent and nationally Councils and public bodies have been subject to various cyber attacks.

9 CONCLUSION

9.1 The work of the Corporate Fraud Service, supported by Housing and Legal Services, including this year other relevant Teams, has resulted in financial benefits to the Council and its stakeholders, in preventing and identifying fraudulent payments as follows to date:

Fraud Area	Financial Results of CFS Intervention
Right to Buy	£1,674,000.00
Tenancy Fraud	£186,000.00
CTAX	£478.62
Housing Benefit	£10,397.02
Council Tax SPD	£1,867.08
CIL payment	£2,619.31
LCTR	£1,689.56
NDR SBRR Saving	£22,469.99
Total	£1,899,521.58

**National Fraud Initiative Results 2020/21
Anglia Revenues Partnership**

The tables show the results of the work undertaken by the Council’s shared service partner, the Anglia Revenues Partnership, for the year 2020/21. These results include the savings as defined by the National Fraud Initiative (NFI) and a pro-active review of all new SPD awards. The CTRS is a result of investigations and the NDR/Council Tax savings are as a result of proactive work by the Visiting Officers (VOs) (spotting new businesses on visits etc).

Two Official Cautions were administered by ARP.

East Suffolk - Totals		
LCTS		£14,813.89
SPD		£537,301.57
Tenancy Fraud		£0.00
NDR		£70,704.25
Council Tax		£20,081.69
Band D equivalent (SPD)	625	127
Band D equivalent (CT)	14	3.3
Total		£642,901.40