

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference:

Date of meeting:

Portfolio: Leader of the Council

Subject: Corporate Fraud Team Annual Summary for 2020/21

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Laura Kirman (01992 564273)

Recommendations/Decisions Required:

(1) That the Corporate Fraud Team Annual Summary for 2020/21 be noted.

Executive Summary:

This report summarises the key achievements of the Corporate Fraud Team for the year 2020/21

Reasons for Proposed Decision:

To note the Corporate Fraud Team Annual Summary for 2020/21.

Other Options for Action:

No other options.

Introduction

The Corporate Fraud Team (CFT) sits alongside the Internal Audit team and therefore both together support and contributes to the achievement of the Council's 2018-23 strategic aims. The purpose of the Corporate Fraud Team is:

- To ensure that the Council has sufficient and appropriate resources on an ongoing basis to protect the delivery of its statutory duties and discretionary services from fraud, abuse and corruption.
- To contribute to the commitment of keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Authority's tax base
- To ensure as the Council continues with its culture of innovation it is not compromised by fraud as per the 2018-23 plan.
- To provide independent and professional investigations into all aspects of fraud affecting the Council, preventing fraud and abuse and taking fair and consistent action against those committing offences.
- Support the Council's anti-fraud culture and framework.

- Deliver a corporate anti-fraud service that is innovative, professional and compliant with the relevant legislation.

Preface

Since March 2020, the business operations of the Council have changed as a result of the Covid-19 pandemic and the situation remains fluid and ongoing into 2021/22. The ongoing Covid-19 pandemic has affected the Corporate Fraud Team's (CFT) normal operational working practices, most significantly those relating to visiting property and premises in order to carry out enquiries, interviews etc. Since March 2020 (in line with Council and Government guidance), the CFT has not been conducting any visits or face to face meetings with the public. As a result, a number of the team's core functions have been (and continue to be) restricted with the most notable effects being seen in our ability to conduct "contact heavy" investigations such as illegal subletting enquiries etc. However, the situation has meant that in order to undertake it's functions as comprehensively as possible, the team has innovated and revised (and continue to do so) a number of its normal working practices in order to mitigate as much as possible, the restrictive effects of the Covid 19 situation. These have included utilising video conferencing applications to conduct interviews, enhanced use of data mining techniques and collaboration with other departments to avoid unnecessary duplication of work.

General Overview of 2020/21 Activity

Investigations Opened 2020/21 by Types of Fraud:

Social Housing Fraud (All Types)	Council Tax Support / Exemptions	Council Tax	Internal	Non-Domestic Rates / Exemptions	External	Total
75	31	9	4	1	1	121

Investigations Closed 2020/21 by Types of Fraud:

Social Housing Fraud (All Types)	Local Council Tax Support / Exemptions	Council Tax	Internal	Non-Domestic Rates / Exemptions	Standards	External	Total
113	103	19	4	1	1	2	243

Success Rates:

243 investigations were closed during 2020/21, however, 103 of these were the remaining cases from the Council Tax Student Exemption exercise commenced in the previous year. When these 103 cases are removed from the total, the cases closed figure is 140. For these 140, 67 were closed as "Fraud Proven" giving a fraud proven rate of 48%. This figure is an increase over last year's fraud proven figure which stood at 43%.

Notable Examples of Types of Fraud Investigated during 2020/21

Right to Buy

During the period 1/4/20 to 31/3/21, a total of 45 applications were received by the Home Ownership Team from tenants wishing to purchase their property under the Right to Buy Scheme. As part of the ongoing commitment to positively vet 100% of these applications, all of the applicants were interviewed by officers of the Corporate Fraud Team.

As a result of these procedures, a total of 24 Right to Buy applications have been stopped and / or withdrawn due to this involvement. A number of these applications have been identified as having issues which would impact on the property purchase going ahead being tenancy related issues (suspected subletting, not utilising it as their main or principle home etc.) or significant concerns over the origin of the funding giving rise to suspicions of money laundering.

In relation to this last point, one application was investigated whereby suspicions were raised over the origins of a large amount of money the applicant had paid into their bank account in order to help facilitate the purchase. The monies originated from their partner and when the matter was investigated further, it was discovered that the partner had diverted funds from their elderly father's bank account to the applicant's, as they had a lasting power of attorney over their father's finances. With the assistance of the EFDC Safeguarding Team and the Office of The Public Guardian (who found the usage of the partner's father's account to be inappropriate and not in his best financial interests), the investigation established that this money could not be used in the property purchase and had to be returned to the originating account. The applicant was given the opportunity to respond with alternative funding arrangements, however they did not do so and the application was cancelled. This investigation highlighted the excellent teamwork between the Corporate Fraud Team and colleagues in both the Safer Communities Team and Home Ownership Teams, along with colleagues in central government departments to identify and stop the financial abuse of an elderly and vulnerable adult and prevent to purchase of a council owned asset using illegally obtained funds.

In a similar vein, another application was submitted whereby the applicant stated that their partner was going to fund the purchase by means of selling a property they already owned. Despite several attempts by the Corporate Fraud Team to engage with the applicant in order to confirm the veracity of the funds, no proof was ever forthcoming, and the application was subsequently withdrawn.

As a result of these applications being stopped or withdrawn, approximately £2 million of potential Right to Buy discount has been saved by the Council (based on the revised maximum discount amount of £84,600).

As purchases did not go ahead on the 24 EFDC properties, these properties continue to remain as valuable public assets allowing the Council to potentially utilise them at a later date to house applicants from the waiting list. Furthermore, keeping them within the housing stock means that these properties continue to provide significant revenue streams in the form of on-going rent payments which have been calculated to be worth approximately £1.5 million to the Council going forward.

It is noteworthy that the amount of Right to Buy applications received by the Council stayed approximately the same as the previous two years despite the period covered being during the Covid 19 pandemic. The stamp duty "holiday" may have been a factor in tenants deciding to make applications however most of the applicants interviewed expressed their desire to

get onto the housing ladder due to the uncertainties created by the pandemic and those with children stating that they had begun to think about inheritances and future security for their children. The level of applications withdrawn / stopped as a result of CFT involvement, has stayed proportionately the same as the previous year at 51%.

As mentioned earlier, the pandemic has meant that the CFT have been unable to conduct visits to applicant's homes, however in order to maintain our target of vetting all applications, the team has displayed innovation by now conducting nearly all interviews via video conferencing applications such as Zoom. This enables the team to carry out the full scope of the interview (including property inspections and "walkarounds") despite the barrier of not actually physically being there. CFT has also undertaken more in-depth financial checks on applicants earlier in the process to enable the team to undertake more effective interviews.

Tenancy Successions

Working in conjunction with Housing Management, the Corporate Fraud Team operates a policy of undertaking enquiries on each application to succeed a tenancy (succession normally applies when a tenant dies). This is due to previous levels of fraudulent applications being high. As a result, 14 investigations into tenancy successions were opened during 2020/21 with nine being found as fraudulent. These applications were then terminated and the properties either immediately recovered or legal proceedings commenced to recover it. The bulk of the nine successful investigations found that the family member claiming the succession was not residing in the property in the 12 months immediately prior to the tenant's death or in some cases was not resident at all, despite their claims to be. By recovering these properties, they can be re-let to priority cases on the waiting list and saving the Council approximately £3 million (based on current National Fraud Initiative figures of £93,000 per recovered property).

Illegal Sub Letting

As mentioned earlier, due to the Covid 19 pandemic, the full and effective investigation of suspected illegal sublets has been difficult as a result of contact restrictions etc. Despite this however, the CFT have continued to investigate these allegations as fully as possible. A success came following allegations that a Waltham Abbey tenant was subletting their property. The investigation found that despite repeated attempts to contact them at the property, the telephone was always answered by "a friend" and comprehensive enquiries established that they were in fact living with their partner out of the EFDC area. They were finally contacted, and these allegations put to them and despite them denying them, a few days after interviewing him, the tenant surrendered his tenancy to Housing and the property recovered.

Housing Applications

Following referrals primarily from Housing Staff, a total of 7 housing applications were found to be fraudulent following investigations into their circumstances. Most of the applicants had given false or misleading information to Housing such as failing to declare ownership of other properties, incomplete disclosure of their financial circumstances and in the case of one applicant, created a false set of circumstances where they and their partner purported to be living with friends in Ongar in overcrowded conditions, where in fact, it was discovered that they were living in privately rented accommodation elsewhere in the Essex area and had been since submitting their application.

Consequently, all of these fraudulent applications were removed from the waiting list.

Council Tax Discounts and Exemptions

CFT officers have completed a large proactive exercise targeting Council Tax Student Exemptions that was commenced in 2019/20. As the typical university course lasts at least three years, an exemption from Council Tax can equate to up to three years “lost” revenue. These exemptions usually require confirmation from the educational body that the recipient is in a qualifying educational course, however they are a significant fraud risk both internally and externally.

Each individual exemption was looked at by a CFT officer as part of a fraud resilience check to ensure that each one was legitimate and that the necessary documentation was obtained (and retained) by the Council. Over 200 student exemption cases have been individually examined by a corporate fraud investigator and from the results obtained, it can be confirmed that this process is dealt with very well by the Revenues Team and has found to be resilient to fraud. It is pleasing that in all the exemptions looked at, aside from minor procedural issues which were subject to advice and have been immediately addressed, no fraud was found.

Covid-19 Business Grant Applications

With the onset of the Covid 19 pandemic, grants were made available by EFDC to businesses throughout the 2020/21 period. A number of differing grants which have been paid in various phases have been administered by the Revenues Team. CFT along with Internal Audit have been involved with pre-payment checks since the inception of the grants programme in order to ensure that grants paid out have gone to either a business or individual that was entitled to it. In some cases, the CFT have been able to utilise the specialist financial information software available to undertake checks on companies in order to assess whether they are / were still trading and therefore qualify for a grant payment. The CFT has worked closely with the Revenues Officers dealing with the grants and any suspicions they had were reported immediately to allow swift investigations to be carried out. Due to this, the grant payment process is generally found to be resilient to fraud, however motivated individuals will always attempt to take advantage of systems such as this. The CFT currently have one individual under investigation whereby evidence exists to show that they submitted false documentation in order to secure two separate grant payments.

Internal Investigations

During 2020/21, the CFT conducted three internal investigations to completion. These investigations were diverse in nature. The first concerned the suspected “leaking” of confidential material to an online news and journalism website and social media platform whilst another was to investigate allegations from a staff member that a recruitment campaign and subsequent appointment to a post was conducted unfairly. The results of these two investigations were fed back to the Senior Management Team. The third concerned an investigation into a contractor who it was suspected was not undertaking the work they were being paid for. The subsequent investigation into the individual concerned found that aside from the original issue, they also had falsified their CV to hide a previous employer they were dismissed from and also it was highly likely they did not possess the correct qualification(s) for the post. As the contractor occupied a position of trust, their contract was immediately terminated.

Other work of the Corporate Fraud Team

In addition, to the above:

- The team is continuing to provide training and advice to both departments within EFDC and external organisations. During the year, CFT officers have provided

external training and advice to staff of other councils including, Harlow, Brentwood and Tendring Councils.

- The team are also continuing to explore all suitable joint working and potential revenue raising opportunities and have undertaken some paid investigation work for Harlow Council relating to their Covid-19 Business Grants programme.
- The informal joint working arrangement with the fraud section at Chelmsford City Council has continued this year and sets to continue. This is an informal arrangement relating to the sharing of anti-fraud staff and resources. Chelmsford City Council also provide Proceeds of Crime Act / Financial Investigations to the CFT as part of this arrangement.

Corporate Fraud Team make-up

The Corporate Fraud Team consists of a Corporate Fraud Manager and three investigators. All the team are fully qualified and accredited Counter Fraud Specialists with experience of criminal investigation work across the public and private sectors.

Resource Implications

None, Within the existing budgets

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

Corporate Fraud Strategy

Risk Management:

The occurrence of fraud may expose the Council to financial loss and the substantive risks associated with an inadequate control framework. The Corporate Fraud Team assists the Council in managing the risk of fraud both internally and externally.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix 1 to the report.