

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Date of meeting: **27 July 2023**

Portfolio: **Leader of the Council**

Subject: **Corporate Fraud Team Annual Summary 2022/23**

Responsible Officer: **Sarah Marsh (01992 564446).**

Democratic Services:

Recommendations/Decisions Required:

(1) That the Corporate Fraud Team Annual Summary for 2022/23 be noted.

Executive Summary:

This report summarises the key achievements of the Corporate Fraud Team for the year 2022/23

Reasons for Proposed Decision:

To note the Corporate Fraud Team Annual Summary for 2022/23

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 2023-27 strategic objectives.

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.
- Contribute to the commitment of keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Authority's tax base.
- Ensure as the Council continues with its culture of innovation it is not compromised by fraud as per the 2023-2027 plan.
- 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.

This subsequently underpins the objectives of the 2023-27 strategic plan, particularly those focusing on a Stronger Council as shown below:

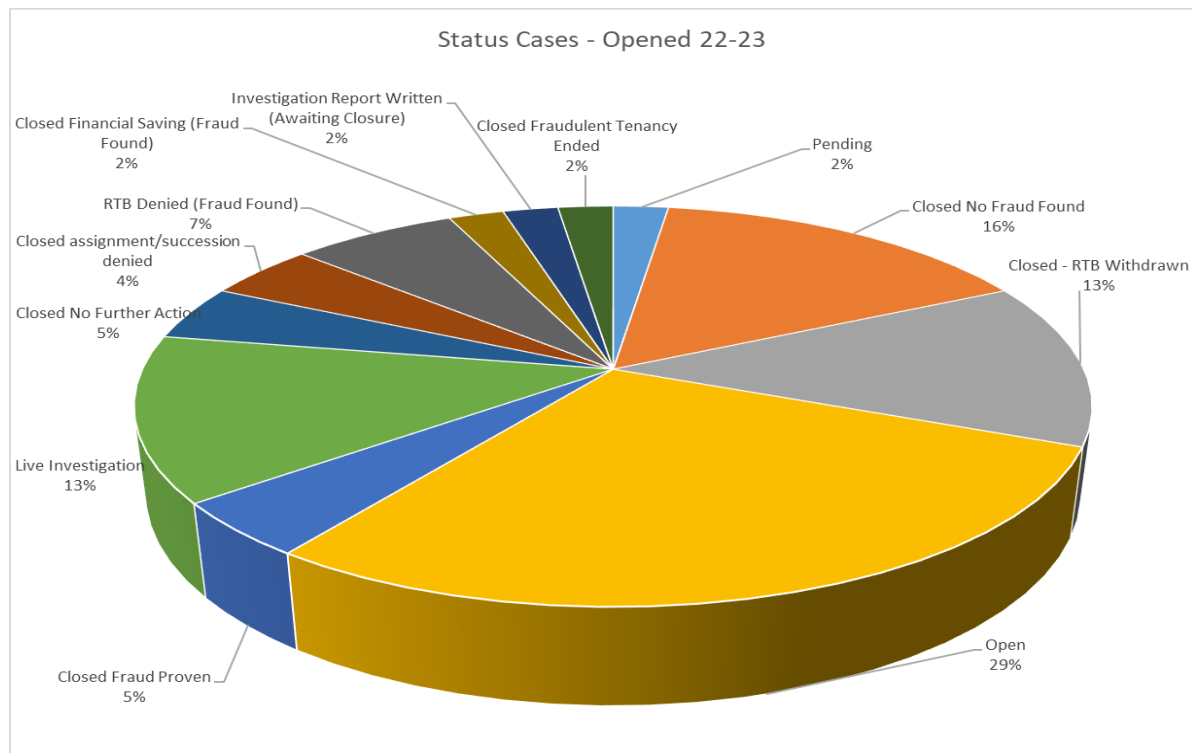
We will provide the highest standards of financial competence, management, and governance.

- Ensuring value for money in the use of resources and delivery of services
- Maintaining low Council Tax, embracing commercial opportunities, and achieving long-term financial sustainability
- Optimising decision making and risk management through strong governance and best practice
- Being accountable through transparent finance, governance and decision making

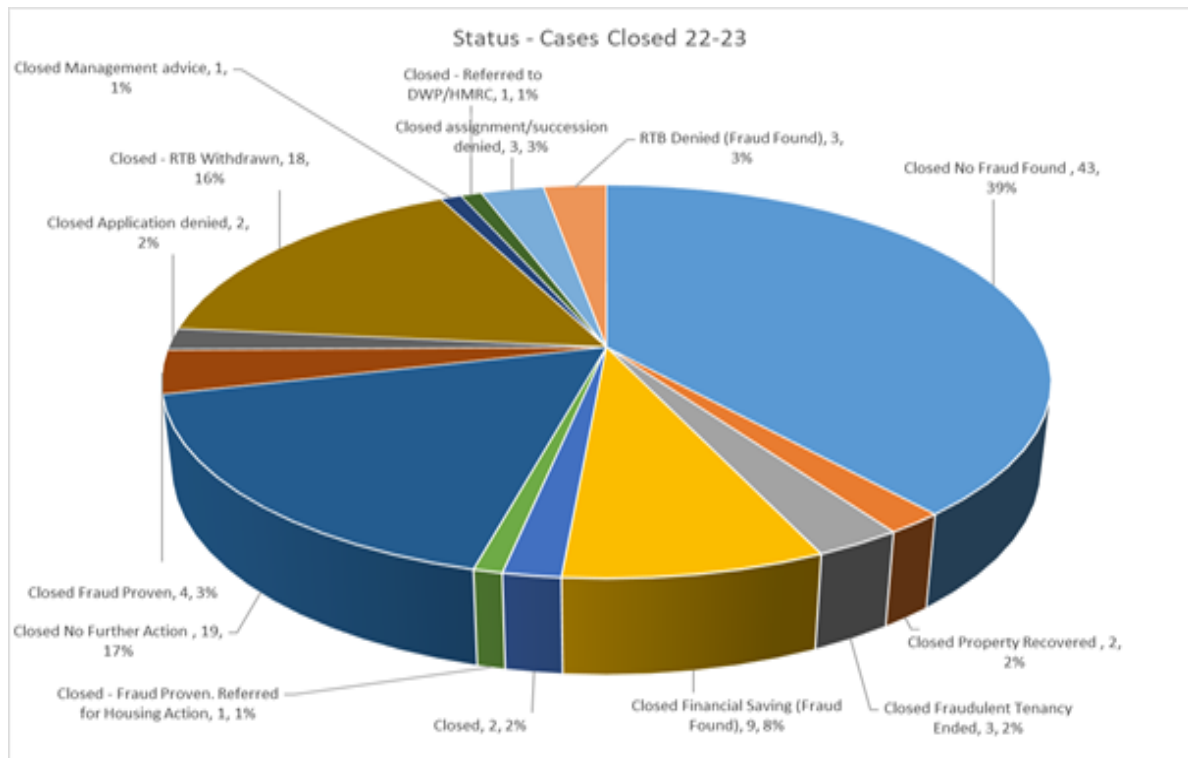
General overview of 2022/23 activity

During the period 1 April 2022 to 31 March 2023, 45 investigations were opened with 111 being closed. Below is a summary of the types of fraud these investigations focused on.

Investigations opened 2022/23 by category:



Investigations closed 2022/23 by category:



The implementation of a new fraud case management system in late 2021 has enabled the Team to customise the closure categories to reflect the outcome of each particular case more accurately, whereas the previous system was restricted to either “no fraud or fraud proven, giving little detail on initial viewing.

Success rates:

111 investigations were closed during 2022/23. Of these, 45 were closed as a form of fraud being detected and/or proven with the most success coming in the area of Social Housing Fraud (including Right to Buy Applications). As a percentage of case closures, these fraud proven cases account for 41% of them. This figure represents around an 4% increase over the previous year.

Notable examples of types of fraud investigated during 2022/23

Right to Buy

During the period, the usual policy of vetting 100% of Right to Buy applications continued. These applications are made to the Home Ownership Team from tenants wishing to purchase their property under the Right to Buy Scheme. As part of this ongoing commitment to positively vet these applications, all of the applicants were interviewed by officers of the Corporate Fraud Team either using video calls or in person by visiting their homes.

As a result of this involvement, a total of 22 Right to Buy applications have been stopped and/or withdrawn. 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 principal home etc.) or significant concerns over the origin of the funding giving rise to suspicions of money laundering.

One application was cancelled as investigations into their tenancy resulted in an evening

visit to the property by two Corporate Fraud officers who, instead of finding the tenant, were greeted by a family who asserted that they had been living at the property for around three years. This was verified with the co-operation of a number of neighbours who were able to substantiate the information. It was clear that our tenant had been subletting the property from around the time she had been allocated it and, in all probability, had never lived in it at all. The tenant was subsequently tracked down and the matter resolved by the Right to Buy (RTB) application being denied and the tenant surrendering the keys to the property.

Another RTB application was denied as a result of investigations that pointed towards the tenant having abandoned their EFDC property and moved to Norfolk. Numerous visits to the property were unsuccessful which prompted further enquiries to be made. It was established that the tenant had moved their child's school to one in Norfolk in October 2022. A visit was paid to our tenant at an address they were connected to in Norwich where they, their eldest child and a new born baby were living. This matter is subsequently part of ongoing legal process to recover our property.

As a result of these applications being stopped or withdrawn, approximately £2.1 million of potential Right to Buy discount has been saved by the Council (based on the revised maximum discount amount of £96,010).

As purchases did not go ahead on the 22 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.

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. Seven investigations were undertaken into successions during this period with three to be found fraudulent mainly in the aspect of the family member stating that they lived with the tenant prior to their death when in fact, this was found to be untrue. These three successions did not go ahead.

Internal investigations

During 2022/23, the CFT have conducted a number of internal investigations to completion. One investigation was launched into a contractor working for EFDC when it was discovered by the Corporate Fraud Team that they had been subject to disciplinary proceedings by the governing body of their profession and had subsequently been suspended indefinitely by them. It became apparent that the contractor had failed to declare these matters to EFDC. The relevant line manager was duly informed, and the contractor's contract was immediately terminated. As a result of this, an audit is being undertaken by Internal Audit to ensure that there are no discrepancies in the area of work being performed whilst the contract was employed.

A number of these internal investigations are still ongoing at the time of this report and will be reported in due course.

Other work of the Corporate Fraud Team

In addition, to the above:

- A CFT officer formed part of the Internal Audit data analytics group and their focus was on potential fraud regarding contracts. No evidence of fraud was found.
- The CFT have made themselves available to ICT in order to carry out retrieval action for any equipment that has not been returned by outgoing employees, contractors etc. During the period, around three interventions have been undertaken on behalf of ICT resulting in the successful return of valuable IT assets including the internal investigation mentioned earlier.
- The team is continuing to provide training and advice to departments within EFDC and external organisations. During the year, CFT officers have provided external training and advice to staff of other councils.

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.