

**Report to the Audit and Governance  
Committee**



**Epping Forest  
District Council**

**Report reference:**  
**Date of meeting: 27 June 2022**

**Portfolio:** Leader of the Council  
**Subject:** Corporate Fraud Team Annual Summary for 2021 / 22  
**Responsible Officer:** Sarah Marsh (01992 564446).  
**Democratic Services:** L Kirman

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**Recommendations/Decisions Required:**

**That the Corporate Fraud Team Annual Summary for 2021/22 be noted.**

**Executive Summary:**

This report summarises the key achievements of the Corporate Fraud Team for the year 2021/22

**Reasons for Proposed Decision:**

To note the Corporate Fraud Team Annual Summary for 2021/22

## **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 remained fluid going into 2021/22. The Covid-19 pandemic affected the Corporate Fraud Team's (CFT) normal operational working practices during part of 2021/22, most significantly those relating to visiting property and premises in order to carry out enquiries, interviews etc. As a result, a number of the team's core functions had been restricted with the most notable effects being seen in our ability to conduct "contact heavy" investigations such as illegal subletting enquiries etc. Following the subsidence of the "Omicron" variant however, the team has resumed normal operations in respect of site visits and interviews, however due to the success of some revised working practices that became necessary during the pandemic, the team continues to use methods such as video conferencing applications to conduct interviews and collaboration with other departments to avoid unnecessary duplication of work.

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## **General Overview of 2021/22 Activity**

During the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022, 90 investigations were opened with 60 being closed. Below is a brief synopsis of the types of fraud these investigations focused on:

Investigations Opened 2021/22 by Types of Fraud:

Social Housing Fraud (All Types)	Council Tax SPD & Discounts	NDR	Council Tax Support Scheme	Internal	Council Tax (Other)	Total
73	11	2	2	1	1	90

Investigations Closed 2020/21 by Types of Fraud:

Social Housing Fraud (All Types)	Local Council Tax Support / Exemptions	Council Tax SPD & Discounts	NDR	Total
53	3	2	2	60

Success Rates:

60 investigations were closed during 2021/22. Of these, 22 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 all Right to Buy Applications). As a percentage of case closures, these fraud proven cases account for 37% of them. This figure represents around a 6% decrease over the previous year, however the total amount of investigations opened was less than the previous period.

## **Notable Examples of Types of Fraud Investigated during 2021/22**

### **Right to Buy**

During the period 1/4/21 to 31/3/22, a total of 39 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 (bar one) were interviewed by officers of the Corporate Fraud Team.

As a result of this involvement, a total of 18 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 principle home etc.) or significant concerns over the origin of the funding giving rise to suspicions of money laundering.

The only applicant who was not interviewed as part of this vetting process was found to live in a property that was ineligible for the Right to Buy Scheme resulting the application being rejected on these grounds.

One application was cancelled as investigations into their circumstances discovered that the applicant(s) owned other property that they had failed to declare on the relevant forms. When interviewed by CFT officers, they also gave conflicting information about their respective employments which also led to doubts over the veracity of their funding to purchase.

As a result of these applications being stopped or withdrawn, approximately £1.5 million of potential Right to Buy discount has been saved by the Council (based on the revised maximum discount amount of £87,200).

As purchases did not go ahead on the 18 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 million to the Council going forward.

As mentioned earlier, the pandemic has meant that for a significant period 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 utilised other methods such as 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 check and background checks on applicants earlier in the process to enable the team to undertake more effective interviews; a practice that will continue going forward.

### **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. 7 investigations were undertaken into successions during this period with 3 to be found fraudulent in some aspect. One investigation discovered that upon their death, the tenant was actually living in Norfolk and enquiries showed that they had been resident there for a number of years, including the time they had obtained a mutual exchange to occupy the property subject to the succession. This application was disallowed and legal action is pending. Another investigation led to the cancelling of an application as it was discovered that the deceased tenant's daughter gave up a secure tenancy and moved her family into her mother's council property when the tenant was ill in hospital so subsequently had not been residing at the address for the requisite time period. This case was also referred to the Council's Safeguarding Officer.

### **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 CFT have continued to investigate these allegations as fully as possible.

The team have had a couple of notable success with sublet properties whereby the tenants had abandoned their respective properties, were living elsewhere and sublet to members of their immediate family.

The first of these investigations discovered the EFDC tenant had moved out of her property around 12 years ago to firstly go and live with their partner in Dorset and then subsequently moved to Milton Keynes and then finally settled in a village in Northamptonshire where they now own a property. A CFT officer subsequently travelled to Northamptonshire and

discovered the tenant living with their partner, child and elderly mother. The tenant was consequently interviewed under caution at the Civic Offices and due to the weight of evidence collated in the investigation, fully admitted not using their council property as their residence. At the completion of the interview, the tenant formally surrendered their tenancy and this property has now been cleared and re-let to a family on the waiting list. Further legal action is currently being considered against the tenant relating to the criminal aspects of the case.

The second case was very similar with the exception that the EFDC tenant had moved out around nine years earlier to live with a new partner in another area of Ongar, leaving their adult son to occupy the property. CFT and Housing Officers undertook a joint visit to the tenant's new address and found him permanently resident there. An interview under caution was undertaken with the tenant where again the evidence led to an admittance of illegal subletting. A formal notice to quit was issued by the Housing Department and the matter is now subject to legal proceedings.

### **Covid-19 Grant Applications**

With the continuance of grant payments being made available to the business community due to the ongoing effects of the C-19 pandemic during the 2021 / 22 period, the CFT have continued to work with their colleagues within Revenues and Internal Audit in facilitating pre-payment checks 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 enquiries to be carried out. Due to this, the grant payment process is generally found to be resilient to fraud.

### **Internal Investigations**

During 2021/22, the CFT conducted one internal investigation to completion. This investigation revolved around a (now ex) EFDC employee possibly failing to disclose personal interests relating to an outside supplier that was involved in a project the employee was undertaking for EFDC. The investigation found that although the employee did not have anything to declare at the outset of the project, matters that should have subsequently been declared as the situation progressed were not. As a consequence, a number of recommendations were made to the service involved relating to management awareness of declaration of interests as well as the introduction and / or tightening up of the processes relating to similar projects.

### **Other work of the Corporate Fraud Team**

In addition, to the above:

- In the first part of 2021, a project was undertaken to replace the existing fraud information management system. The current software had been used for around the last 20 years and although was periodically upgraded, it was no longer supported by the manufacturer. Numerous options were explored, however a preferred system and supplier was identified and the new system was tested and subsequently installed in August 2021. Following another month of testing with the

assistance of our colleagues in ICT, the new system went live in September along with an archive system transferring some data from the outgoing software for appropriate retention purposes.

- A CFT officer has undertaken a series of specialist training courses in order for the team to start work on an ongoing data analytics project being run in conjunction with our colleagues in Internal Audit. This project has already identified areas of interest and the first data sets have already been obtained.
- 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.
- 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.
- 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. This was an extension of the work undertaken for them previously during 2020/21.
- A formal agreement has been now been put into place whereby Harlow Council will pay EFDC to undertake the vetting of their Right to Buy applications. This paid for service is expected to begin in June 2022.
- 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.

### **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.