

**Report to the Audit and Governance  
Committee**



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting:** 22 March 2021

**Portfolio:** Leader of the Council

**Subject:** Corporate Fraud Team Strategy 2021 / 2022

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

**Democratic Services:** Laura Kirman (01992564243)

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**Recommendations/Decisions Required:**

- (1) The Corporate Fraud Team strategy for 2021 / 22 be approved.

**Executive Summary:**

This report sets out to members the focus and approach of the Corporate Fraud Team for the year 2021 / 22

**Reasons for Proposed Decision:**

To approve the Corporate Fraud Team's strategy for 2021 / 22 as the Audit and Governance Committee has a role in ensuring anti-fraud arrangements are in place as per their Terms of Reference.

**Other Options for Action:**

None

## **Report:**

### **Introduction**

1. The Corporate Fraud Team brings a uniform approach to fraud investigation work within EFDC, ensuring the Council has adequate resources dedicated to anti-fraud activity.
2. This strategy summarises the key principles for the Corporate Fraud Team (CFT) for the forthcoming 2021 / 22 period along with some longer term aims.
3. The Corporate Fraud Team sits alongside the Internal Audit team and therefore both together supports and contributes to the achievement of the Council's 2018-23 strategic aims. These have been considered when developing the Corporate Fraud Strategy and Plan being:
  - To ensure there is efficient use of Council resources which is protected from fraud, abuse and corruption
  - To contribute to the commitment of financial independence and keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Council's tax base
  - To ensure that the Council adopts a culture of innovation which is not compromised by fraud.

### **Purpose**

4. The purpose of the Corporate Fraud Team Strategy is to document the Corporate Fraud Team's approach to:
  - Provide independent and professional investigations into all aspects of fraud affecting the Council and third parties such as commercial partnerships etc. preventing fraud and abuse and taking fair and consistent action against those committing offences.
  - Supporting 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 dramatically as a result of the Covid 19 pandemic and at the time of writing, the situation is still fluid and ongoing and is likely to remain so going into 2021 / 22. The ongoing Covid 19 pandemic has affected the Corporate Fraud Team's normal operational working practices, most significantly

those relating to visiting property and premises in order to carry out enquiries, interviews etc and since March 2020 (in line with Council and Government guidance), the CFT is not conducting any visits or face to face meetings with the public. As a result, a number of the team's core functions which are reflected in this strategy are currently restricted, however, the situation has meant that in order to undertake its functions as comprehensively as possible, the team has 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 for example by undertaking Right to Buy interviews via Zoom.

This strategy is indicative of the CFT's priorities for the forthcoming year however and can be changed or flexed as the risk profile and priorities of the Council change. This will be achieved by ongoing review and amendment in consultation with relevant officers. Any significant changes will be brought to the Audit and Governance Committee's attention.

### **The Corporate Fraud Team Approach**

This strategy sets out the main focus of work that will be undertaken by the team during the period 2021 / 22. These are set out in two main groups: Proactive work, where the CFT takes on intelligence-based projects and investigations and Reactive work which is usually responding to received information such as reports of suspected fraud from members of the public, staff etc.

#### **Proactive Work**

- As is now a recognised area of high success since its inception in 2014, the process of vetting 100% of Right to Buy Applications will continue into 2021 / 22 with the amount of financial savings this area of work generates meaning it has become a staple function for the CFT. For example, it has been found that each year since 2014, on average approximately one third of all applications are stopped / withdrawn as a result of the fraud team's involvement. This results in annual savings in this area that are usually in excess of £1.5 million taking into account the ever-increasing discount amounts.

The success in this area also results in unsold properties being retained within the Council's housing stock. Furthermore, keeping them within the housing stock means they can 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. The regular increases in the maximum amount of discount available to tenants wishing to purchase their council properties means that the Right to Buy remains an attractive prospect to individuals who plan to abuse the system.

- In line with the strategy of reviewing other areas of high fraud risk within the Council, most notably where any fraud and / or abuse represents a significant risk to the Council's financial position, the Corporate Fraud Team plan to continue with already ongoing proactive exercises targeting Revenue. This includes areas such as Non-Domestic Rates fraud and fraud within Council Tax discounts and exemptions. Work undertaken in conjunction with the Council Tax department since 2018 has yielded good results and resulted in several cases whereby

previously uncollected revenue has / is being recovered. A proactive fraud resilience project was undertaken in 2020 looking at Council Tax Student Exemption discounts and although little fraud was found, the results of the project were very encouraging in terms of good practice and governance within this area. As a result of the work completed so far in this area, further resources are to be deployed in the forthcoming coming year with other proactive projects in the areas of Business Rates and Local Council Tax Support in order to identify and tackle cases of fraud within these schemes.

- During 2020 / 2021, the CFT (along with Internal Audit) provided ongoing assistance to the Revenues Team with the payment of Covid 19 grants to both businesses and individuals. The CFT provide fraud prevention assistance in the form of the vetting and checking of grant applications. This is proving to be very effective with a number of grant applications being denied due to concerns over their veracity and the team undertaking a number of investigations into paid grants where inconsistencies have been identified such as recipients having failed to declare they were no longer liable for Business Rates at properties. In conjunction with the Revenues Team, work is underway to retrieve any wrongly paid grants. This vetting and investigation process will continue into the forthcoming year.
- The team will continue with the good working relationship it has with the Housing Department, which has been instrumental in forging closer working arrangements between the investigators and their housing officer colleagues when dealing with issues surrounding suspected social housing fraud. Periodic meetings are now held between the Housing and CFT management and will continue into the forthcoming year. Work has already commenced in conjunction with colleagues in the Housing, Estates and Land Team in order to undertake a long-term programme of ongoing Tenancy Audits, however, due to the Covid 19 pandemic work in this area has had to be temporarily suspended. When it is possible, the CFT will continue with its commitment to provide training and assistance to housing staff to undertake the planned audits.
- The ongoing process of engaging other key stakeholders across the Council will continue in order to raise awareness and encourage the reporting of suspicions. A programme arising from the activities undertaken by the team in late 2019 as part of International Fraud Awareness Week has commenced with meetings with Service / Team Managers. This enables the Corporate Fraud Team to have a better understanding of the various processes employed within each service area in order to identify potential areas of fraud risk with input into policy revisions where appropriate. This is of particular importance as the Council continues to evolve as part of the current transformation plan and the restructuring of services.
- The implementation of a rolling fraud awareness programme providing coverage not just in significant areas of expenditure such as finance, procurement and payroll but for all staff including Members and contractors. In conjunction with Human Resources, a project is underway to develop an Anti-Fraud E-Learning Module with a view to becoming part of a mandatory fraud awareness session for all new starters as part of their induction into working for the Council. It is also expected that a variation of this module to become available to Members in due course.
- In the forthcoming 12 months, the CFT also hopes to engage further within the outside community (for example, attending meetings of resident's associations

etc.) in order to promote the service and raise awareness of fraud issues affecting the Council. This was an area that was due to begin in 2020 / 21 however due to the Covid 19 situation, no public or face to meetings have been possible. That said, with the proliferation and success of online video conferencing that has occurred within the last year, the usage of such mediums for this project are to be actively explored with a view to forging ongoing links within the community and as a useful vehicle for undertaking the research needed for a new advertising campaigns.

- The “Know a Cheat in your Street” advertising campaign has been run successfully over the last few years and has been instrumental in heightening awareness and encourage members of the public to report fraud and abuse. This has been achieved by enclosing leaflets in the run of Council Tax / Non-Domestic Rates Bills and making use of other resources such as the EFDC website and the Council’s social media presence. In order to “freshen up” and keep the campaign relevant, work is to commence (in conjunction with the Corporate Communications Team) to explore new designs and ideas with a view of rolling out a new campaign utilising such mediums as the Council’s social media platforms etc.
- The CFT in conjunction with colleagues from the Internal Audit service are planning to undertake a number of “Fraudits” in the forthcoming year targeting areas that are either outside the scope of the Audit plan, have not been looked at in recent years or have been identified as being a potential risk for fraud or abuse.

### **Reactive Work**

- The team will review, and risk assess 100% of the referrals it receives in order to ensure efficient allocation of resources and ensure the highest risk referrals are prioritised.
- The team will be continuing with its programme of engaging with other teams within the Council in order to provide advice, training and support. The team continues to provide advice and training to staff and the team can provide tailored training packages to services. As part of the aforementioned Tenancy Audit collaboration with Housing, anti-fraud training is to be undertaken with all Housing staff participating the Tenancy Audit processes.
- The team will also continue to publicise its work including successful prosecutions by maintaining a policy of utilising press releases, existing mediums such as “Housing News” and the corporate website and social media platforms.

In addition to the above, the Corporate Fraud Team also plans to undertake the following areas of work in the forthcoming year:

### **National Fraud Initiative Exercise**

The data matches for the new National Fraud Initiative exercise are expected to become available in 2021 and work in this area (including the periodic data set updates) is an incorporated part of the CFT work programme for 2021 / 22. As is usual for this exercise and in line with already established procedures, any matches that potentially involve staff will be

given the highest priority closely followed by the remaining matches that are qualified and / or identified as “high risk”. The CFT will continue to work closely with their colleagues in the Housing, Revenue and Benefits and Human Resources departments as well as other local authorities and public-sector organisations to review these data matches and undertake any resulting investigations as appropriate.

### **Explore and pursue joint working / shared service arrangements.**

- Joint working with Harlow Council

At present, the CFT has an informal joint working arrangement with the Housing Tenancy Fraud Officer at Harlow Council, with the working relationship focussing on the sharing of investigative resources, exploring the potential for joint proactive initiatives and providing a “peer support” service for their investigator. Again, this initiative will continue into the forthcoming year. In addition, however, in Summer 2020, the CFT provided investigative resources on a paid for basis to Harlow’s Revenues section in relation to the verifying and investigation of suspected fraudulent Covid 19 Business Grant Applications. Through discussions in this area, it is expected at this present time that further paid work for the CFT may be received from Harlow during 2021 / 22.

- Joint working with Chelmsford City Council

The team also operates an informal joint working initiative with the anti -fraud team at Chelmsford City Council with the working relationship again focussing on the sharing of investigative resources, exploring the potential for joint proactive initiatives and providing a “peer support” service for investigators. Again, this initiative will continue into the forthcoming year.

### **Other areas of work**

Since 2016 the Corporate Fraud Team has utilised its skillsets by undertaking a number of different kinds of investigative work such as Disciplinary Investigations for The People Team, Standards Investigations on behalf of the Council’s Monitoring Officer and a number of cases received as a result of the Council’s Whistleblowing procedures. Due to the success of this, the team will continue to make itself available to take on differing and challenging types of work.

Furthermore, ongoing exploration of further opportunities to increase the team’s revenue by undertaking fraud and employment related investigations for outside bodies such as other local authorities and public-sector organisations will continue thus increasing its capacity for revenue raising activities and allowing for diversification into other forms of investigation work outside of the traditional criminal area.

The team will continue to provide training and advice to external organisations and the team are constantly working to identify areas where potential exists to engage in joint working and /

or shared service protocols, with such agreements giving the possibility of revenue raising opportunities.

### **Staff Development**

All members of the Corporate Fraud Team are required to undertake a set number of hours of Continued Professional Development so that their existing knowledge and skills remain up to date and they are given an opportunity to develop new skills. Further to this, the possibility of further professional development is being explored relating to involvement with the Government's new "Counter Fraud Profession" programme.

### **To promote best practice, information sharing and support to the wider anti - fraud community**

The Corporate Fraud Team continue to host the meetings of The Eastern Corporate Fraud Group, which it founded in 2016 with its on-going aim to bring together counter fraud professionals from local authorities in Essex, Suffolk and Norfolk in a meaningful forum to discuss and promote best practice, form agreements and partnerships for information sharing and offer support and resources to carry out investigations etc. The group continues to move forward and is now firmly established with its main focus being opportunities for cross authority working, training and information sharing.

### **Longer Term Projects**

Several longer-term projects are currently continuing into 2021 / 22 and beyond. These include:

- Consultation is ongoing with Human Resources (as part of the Recruitment Strategy) to look into pre-employment vetting procedures with a view to possibly developing and incorporating a more robust process. This may also lead to a training programme for recruiting managers.
- As an offshoot of the above, the CFT is also developing procedures around the issues of potential conflicts of interest for employees, contractors etc which will come into practice during 2021 / 22.
- Collaborative work between the Corporate Fraud Team and Internal Audit into specific areas of identified risk. This will also include the possibility of developing and utilising data mining / matching techniques into areas that are not covered by currently used data matching tools such as NFI etc. It is hoped that existing software already used by the Internal Audit team will be utilised for this, thus not requiring any new resources.
- A review of documents utilised by the Council for access to its services (such as application forms etc) to ensure that they are as "fraud proof" as possible with the introduction of several application processes to be updated or initialised during the next 12 months.

## **Resources**

The Corporate Fraud Team consists of a Corporate Fraud Team 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. The Team is currently engaged in a project to replace the existing fraud case management system as the current software is no longer supported by the supplier. A suitable system has been identified and working with ICT, the new system is expected to come online in 2021 / 22. This project is being self-funded with monies the team has received through previous work using The Proceeds of Crime Act.

### **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.