

## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-006-2019/20**  
**Date of meeting: 12 September 2019**

**Portfolio: Leader of the Council**

**Subject: Corporate Fraud Team Annual Summary for 2018 / 2019**

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

**Democratic Services: Gary Woodhall (01992 564470).**

### **Recommendations/Decisions Required:**

**(1) That the Corporate Fraud Team Annual Summary for 2018 / 2019 be noted.**

### **Executive Summary:**

This report summarises the key achievements of the Corporate Fraud Team for the year 2018 / 2019.

### **Reasons for Proposed Decision:**

To note the Corporate Fraud Team Annual Summary for 2018 / 2019.

### **Other Options for Action:**

No other options.

### **Introduction**

The Corporate Fraud Team sits alongside the Internal Audit team and therefore both together support and contributes to the achievement of the Council's 2015-20 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 that the Council adopts a modern and innovative approach to the delivery of its services and that they are not comprised by fraud.
- 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.

### **General Overview of 2018/19 Activity**

Investigations Opened 2018/19 by Types of Fraud:

Social Housing Fraud (All Types)	Local Council Tax Support	Grant Fraud	Internal	Corporate	Non Domestic Rates / Exemptions	Standards (EFDC)	Blue Badge Abuse	Total
92	11	2	1	1	1	1	1	110

Investigation Referrals Received by Origin:

Public (including Online, Hotline Calls, Anonymous letters etc.)	Internal	Data Matching	Total
24	69	17	110

Investigations Closed 2018/19 by Types of Fraud:

Social Housing Fraud (All Types)	Local Council Tax Support	External	Grant Fraud	Corporate	Non Domestic Rates / Exemptions	Internal	Blue Badge Abuse	ASBO	Total
144	10	5	3	3	1	1	1	1	169

Success Rates:

Of the 169 Investigations completed during 2018/19, 67 were closed as "Fraud Proven" (40%).

### **Notable Examples of Types of Fraud Investigated**

#### **Right to Buy**

During the period 1/4/18 to 31/3/19, a total of 50 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 visited by officers of the Corporate Fraud Team.

As a result of these procedures, a total of 18 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.

One application was investigated whereby it was found that the tenant had recently got married and had moved out of the District in order to live with their spouse in a property they had purchased. It was established that the tenant was not utilising their council property as their main and principle home and therefore the Right to Buy was cancelled. Furthermore, the property was given up by the tenant and recovered in order to be re-let.

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 £82,800).

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.

It is noteworthy that the amount of Right to Buy applications received by the Council exhibited a significant decrease in the 2018 / 2019 period, compared to at least the last three financial years (previously amounts averaged around 80 per annum). Despite this however, the amount of applications withdrawn / stopped as a result of CFT involvement, has remained proportionate, at approximately one third of all applications (36% in 2018/19).

### **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, 12 investigations into tenancy successions were opened during 2018/19 with five being found as fraudulent. These applications were then terminated, and the properties duly recovered.

### **Housing Applications**

Following referrals from Housing Staff, a number of investigations have been undertaken into applications made to the Council for housing. As a result of these investigations, four applications were found to be fraudulent and removed from the waiting list. Predominantly, investigations found that applicants were not being truthful about owning other property and / or retaining capital in excess of the established limit for consideration.

### **Joint Tenancy Applications**

Again, following referrals from Housing staff (who pass all applications for joint tenancies to the CFT), investigations were made into several applications. A number of discrepancies were found in each application which required rectification, however one application was refused outright as investigations confirmed that the information given by the applicant was false (the fact that the applicant held their own social housing tenancy in London had been concealed).

## **Recovered Properties**

For the 2018/19 period, the Corporate Fraud Team has been instrumental in recovering 33 Council properties from tenants who were investigated for suspected housing fraud. As well, as the examples given previously, these properties were recovered from tenants who were suspected of being involved in issues such as illegal subletting, not using the property as their main or principle home or in some cases, having abandoned the property all together and were living elsewhere. By recovering these properties, they can (and in most cases, have been) 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).

## **Grant Fraud.**

Following extensive investigations by the CFT two applications for Decent Homes Grants were found to be fraudulent, resulting in the applications being cancelled. This has saved approximately £60,000.

## **Council Tax Discounts and Exemptions**

CFT officers, working in conjunction with colleagues in Revenues, have undertaken a number of investigations during 2018 /19 focusing on false claims for discounts and / or exemptions. Several cases have been identified whereby these have been claimed fraudulently amounting to approximately £45,000 of uncollected revenue. Consequently, the liable person(s) have been billed for the amount they should have paid and in most cases, backdated to as far as the evidence gathered will allow.

## **National Fraud Initiative Work**

Following the receipt of the matches for the most recent National Fraud Initiative exercise in January 2019, reviews of these matches are being undertaken as a piece of work in the longer term. However, as a result of the matches that have been reviewed and investigated by the CFT so far, 14 cases have been identified whereby Council properties have been occupied by family members following the death of the tenant. In all these cases, a formal application to succeed the tenancy had not been made and as a result, a number of properties have been recovered. This area of work highlighted weaknesses in the way in which the deaths of tenants were reported to the Housing Department, which has now been rectified, by ensuring that the Housing Department are now directly informed of deaths by Essex County Council rather than relying on notifications being received from the next of kin.

## **Joint Working Initiative with Brentwood Borough Council**

In September 2017, the Corporate Fraud Team entered into a joint working initiative with Brentwood Borough Council to provide them with two days week of fraud investigation work, advice and training to compliment and assist their existing anti-fraud resources. This work is being provided on a paid for basis and was carried out throughout the 2018/19 period. This initiative continues to be successful and has generated a number of successful outcomes for Brentwood such as withdrawn Right to Buy applications and three council properties being recovered due to issues of suspected subletting. Other notable successes for the year have also included the discovery of a Business Rates refund fraud which was stopped before any monies were paid out, the identifying of a change of staff bank details fraud and a direct debit fraud. Assistance was also given in two internal investigations and a Whistleblowing / Disciplinary investigation.

In addition to the revenue received for providing these services, the work and outcomes achieved provide distinct and tangible learning opportunities that benefit EFDC. For example, as a result of the business rates refund fraud mentioned above, the team conducted a full review of all EFDC

business rate refunds for the 2018/19 year in order to confirm their veracity and strengthen the security processes in this area.

### **Joint Working Arrangements with Chelmsford City Council**

The informal joint working arrangement with the fraud section at Chelmsford City Council has continued this year and sets to continue into 2019 / 2020. 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.

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

In addition, to the above:

- Corporate Fraud Team officers have also this year undertaken a further Member Standards Investigation for which it has been remunerated.
- The Corporate Anti-Fraud and Corruption Policy has been reviewed and updated and agreed by the Audit & Governance Committee in November 2018.
- The Whistleblowing Policy has been updated with the latest version agreed by the Audit & Governance Committee in January 2019. In order to promote the updated policy, a publicity campaign has been undertaken incorporating the distribution of updated posters to all Council offices, an article in a recent edition of "District Lines" and the updating of the Intranet.
- Members of the public are continuing to be encouraged to report fraud and an advertising campaign has been undertaken whereby "know a cheat in your street" leaflets went out in every Council Tax and Business Rates bill.
- The team is continuing to provide training and advice to both departments within EFDC and external organisations. During the year, CFT officers have provided training to the Compliance Officer within Council Tax and conducted Statement Taking Workshops for Visiting Compliance Officers within the Benefits service. Advice and formal training have been provided to officers of Harlow Council relating to the prevention and detection of social housing fraud and a CFT member has recently assisted in undertaking an Interview under Caution for them.
- The team are also continuing to explore all suitable joint working and potential revenue raising opportunities, not just for the CFT but in other areas of the Council as well. In the last year, through the CFT, Business Services have undertaken several typed interview transcriptions for other Local Authorities for which they have been remunerated.

### **Corporate Fraud Team make-up**

The Corporate Fraud Team consists of a Corporate Fraud Manager, a Senior Investigator and two investigators. All of 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.