

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-004-2020/21
Date of meeting: 25 June 2020

Portfolio: Leader of the Council
Subject: Corporate Fraud Team Annual Summary for 2019 / 2020
Responsible Officer: Sarah Marsh (01992 564446).
Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That the Corporate Fraud Team Annual Summary for 2019 / 2020 be noted.

Executive Summary:

This report summarises the key achievements of the Corporate Fraud Team for the year 2019 / 2020.

Reasons for Proposed Decision:

To note the Corporate Fraud Team Annual Summary for 2019/ 2020

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 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 2019/2020 Activity

Investigations Opened 2018/19 by Types of Fraud:

Social Housing Fraud (All Types)	Council Tax Support / Exemptions	Council Tax	Internal	Corporate	Non Domestic Rates / Exemptions	External	Benefit	Total
90	109	16	8	1	1	1	1	227

Investigations Closed 2019/2020 by Types of Fraud:

Social Housing Fraud (All Types)	Local Council Tax Support / Exemptions	Council Tax	Internal	Corporate	Non Domestic Rates / Exemptions	Benefit	Business Rates	External	Total
95	109	14	9	1	1	1	1	1	232

Success Rates:

Of the 232 Investigations completed during 2019/2020, 53 were closed as "Fraud Proven" (30%), however when the 109 Student Exemption cases are extrapolated, this figure is 123 closures with a fraud proven rate of 43%.

Notable Examples of Types of Fraud Investigated during 2019/20

Right to Buy

During the period 1/4/19 to 31/3/20, a total of 46 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 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.

One application was investigated whereby it was found that the tenant had purchased a property in Cambridgeshire for their partner to live in. This was despite the fact that the partner was

named on the Right to Buy application and claimed to have lived at the EFDC property for over 12 months. Investigations showed that the partner was the named Council payer at the Cambridgeshire property and had been since it was purchased. Our investigations also found indications that the property may have also been used for the growing of cannabis and reported to the Police. The Right to Buy application was stopped due to issues surrounding the purchased property and subsequently, the origin of the partner's funds.

Another application was stopped following an investigation into the residency of one of the applicants. A married couple had included their son in the Right to Buy application and asserted that it was he who would be obtaining the funding for the purchase. The son, who had stated on the application that he had lived at the property all of his life was subsequently found to be living in another county and had been for some time. As the circumstances of the application were false the tenants were unable to fund the purchase themselves and the application was terminated.

One further point of interest is that a Right to Buy application that was submitted by a pair of joint tenants was withdrawn by them without any notice or reasons being given. When looked at in a bit more depth by the Corporate Fraud Team, it was discovered that the applicants were, in fact, the parents of a tenant whose own Right to Buy was stopped in the previous year whereby they were found to be living with their partner in Harlow leading to their EFDC property being subsequently recovered. It was noted that the parent's application was submitted just prior to the discovery that their daughter's own one was false and the contact that brought because of the investigation.

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 £84,200).

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 exhibited a significant decrease in the 2019 / 2020 period, compared to the year before (53 applications) and even greater when compared to the last three financial years before that (when they averaged around 80 applications 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 however in this period, this percentage has increased significantly to 52%.

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, 13 investigations into tenancy successions were opened during 2019/2020 with four being found as fraudulent. These applications were then terminated and the properties duly recovered. 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

Housing Applications

Following referrals from Housing Staff, five investigations have been undertaken into applications made to the Council for housing. As a result of these investigations, two applications were found to be fraudulent and removed from the waiting list with one investigation still ongoing. 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.

Recovered Properties

For the 2019/2020 period, the Corporate Fraud Team has been instrumental in recovering four 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.).

Council Tax Discounts and Exemptions

CFT officers have undertaken a large proactive exercise this year targeting Council Tax Student Exemptions. 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 exemption was looked at independently 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. It appears that from the cases looked at so far (over 100) this process is dealt with very well by the Revenues Team and has found to be extremely resilient to fraud. It is pleasing that in all the exemptions looked at so far by the CFT, no fraud has been found. There are a small number of exemptions still to be looked at.

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 2019/20 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 fraudulent succession applications.

A Whistleblowing / Disciplinary investigation was also undertaken jointly with the EFDC Corporate Fraud Manager giving evidence to the hearing on the findings of the investigation. The findings of the investigation were instrumental in the hearing deciding to impose sanctions on the relevant employee.

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, the decision to conduct a fraud resilience check on Council Tax Student Exemptions was made and regular checks of the EFDC income account are made for unauthorised payments and direct debits, both following discovery of these types of frauds at Brentwood.

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. 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:

- As part of the team's involvement in International Fraud Awareness Week during November 2019, the CFT undertook a series of meetings with a number of Service / Team Managers in order to identify and better understand the fraud risks applicable to their respective services. Using this Information, the CFT plan on undertaking tailored fraud awareness training for individual teams as well as looking at proactively targeting areas of potential fraud that previously were unidentified.
- 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 (free of charge) to both staff of Harlow Council and Brentwood Borough Council.
- 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 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.