



East Herts Council

Anti-Fraud Report 2019/20

Recommendation

Members are recommended to:

- Review the Councils work to combat fraud in 2019/20
- Review the performance of SAFS in meeting its KPIs in 2019/20

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1 Introduction and Background

Introduction

This report provides details of the work undertaken to protect the Council against the threat of fraud as laid out in the Council's Anti-Fraud Action plan for 2019/20. The Committee are asked to note this work.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is aware of its own fraud risks and is finding ways to mitigate or manage these effectively wherever possible.

These reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020s published in partnership by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Credit Industry Fraud Avoidance Service (CIFAS), the Local Government Association (LGA) and the Society of Local Authority Chief Executives (SOLACE) in March 2020. This is the first time that such a publication has had this level of support across the counter fraud in local government. See **Appendix A** for a copy of the Strategy.

Perspectives on Fraud- Insights from Local Government. In 2019 CIPFA commissioned a survey and round table events for senior managers in local government to establish what local authorities were doing to tackling fraud. The survey was conducted by an independent body with the support of LGA & MHCLG.

CIPFAs *Fraud and Corruption Tracker 2019* indicates that fraud risks had increased since 2016 but that counter fraud capacity within councils had reduced, and would continue to do so, placing local government at even greater risk.

The Governments *United Kingdom Anti-Corruption Strategy 2017-2022* includes the vision and priorities for dealing with and reducing the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

1. Background

- 1.2 According to reports from CIPFA, the National Audit Office (NAO), Cabinet Office, and the private sector, fraud risk across local government in England exceeds £2.billion each year, with some more recent reports indicating levels considerably above this.
- 1.3 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have issued advice and best practice guidance to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver savings through prevention.
- 1.4 It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of identified fraud.
- 1.5 East Herts Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has received detailed reports about the creation of SAFS and how this service works closely with the Shared Internal Audit Service (SIAS).

2. SAFS Activity 2019/20 & Delivery of the 2019/20 Anti-Fraud Plan

The Plan

- 2.1 This committee reviewed and commented on the Councils Anti-Fraud Plan for 2019/20 at its meeting in March 2019. A copy of the Plan can be found at **Appendix B**.
- 2.2 The plan was proposed by SAFS and agreed and approved by senior officers within the Council. Delivery of the plan is very much a partnership between officers across the Council with key roles and SAFS providing expertise and operational support where required.
- 2.3 We are very pleased to report that all actions proposed for the 2019/20 Anti-Fraud Plan commenced in year with the vast majority being completed in-year. Where actions were incomplete they have been carried into the current years (2020/21) plan. Delivery of the 2019/20 plan can be found at **Appendix C**

Staffing

- 2.3 The SAFS Team (in April 2019) was composed of 18 accredited and fully trained counter fraud staff and is based at Hertfordshire County Councils offices in Stevenage.

- 2.4 Each SAFS partner receives dedicated support by the allocation of officers to work exclusively for each partner whilst allowing all officers within the Team to work with different partners from time to time. Providing the service this way allows officers to develop good working relationships with council officers whilst providing resilience and flexibility across the partnership as a whole.
- 2.5 In 2019/20 SAFS deployed one member of staff to work for the Council. This officer was supported by SAFS management and the SAFS intelligence team, data-analytics and an Accredited Financial Investigator. SAFS officers have access to Council offices, officers and systems to conduct their work
- 2.6 As part of the Councils Anti-Fraud Plan for 2019/20 a number of KPIs were agreed with SAFS to measure its performance, these are shown below with outcomes.

KPI	Measure	Target 2019/2020	PROGRESS TO OCTOBER 2019	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Fees to SAFS £81.6k. SAFS identified £193k in loss/savings. CTR Review identified £100k in Council Tax. NFI identified £125k in savings.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Mgt Meetings	A. FTE in post B. AC reports included in Fwd Plan. C. Meetings ongoing	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	A&B Performance -2 day on average for all EHC referrals	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	A&B. NAFN/ CIPFA Membership in place for EHC. C. NAFN license & access provided. D. Training events agreed with HR	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. Success rates for cases investigated.	A. 100 - Fraud referrals from all sources to SAFS B. 60% of cases investigated and closed in year	81 60% (23 cases from 38 closed)	Measure the effectiveness of the service in promoting the reporting of fraud by staff and public & Measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Implement the Herts FraudHub for the Council. B. Complete NFI 2018/2019 Reports.	A. FraudHub contract signed by EHC Mgt 2020 B. NFI Review ongoing	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

- 2.7 KPI 5A. the reported fraud target was missed but we review fraud reporting across all SAFS Partners and EHC has been 'traditionally' at the low end in volume of cases reported since 2015.
- 2.8 KPI 6A&B were also incomplete at year end but we are working with Council officers to resolve these in 2020/21

Fraud Awareness and Reported Fraud

- 2.9 A key aim for the Council is to create an anti-fraud culture, that encourages senior managers and members to consider the risk of fraud when developing policies or processes, this will help to prevent fraud occurring; deter potential fraud through external communication and; encourage staff and the public to report fraud where it is suspected.
- 2.10 In 2019/20 the Council reviewed all anti-fraud and corruption policies including those on anti-bribery and whistleblowing and the latest version of these will all be published in 2020.
- 2.11 The Council's website includes pages on how fraud affects the Council <https://www.eastherts.gov.uk/about-east-herts-0/fraud-and-whistleblowing-policies>. The website has links for the public to report fraud and to the SAFS webpage. The SAFS webpage in turn provides further information on fraud, the latest news stories as well as options for the public to report fraud.
- 2.9 Council staff can use the same methods to report fraud, or they can report fraud directly to SAFS staff working at the Council. Working with the Councils HR service SAFS have delivered an anti-fraud and corruption e-training package for staff and this is being linked to the Councils latest anti-fraud policies in 2020.
- 2.10 During 2019/20 SAFS received 81 allegations of fraud affecting Council services.

Table 1. Types of fraud being reported (in year):

Council Tax Discount/ Housing Benefit	Housing	Blue Badge Abuse	Other*	Total
61	12	6	2	81

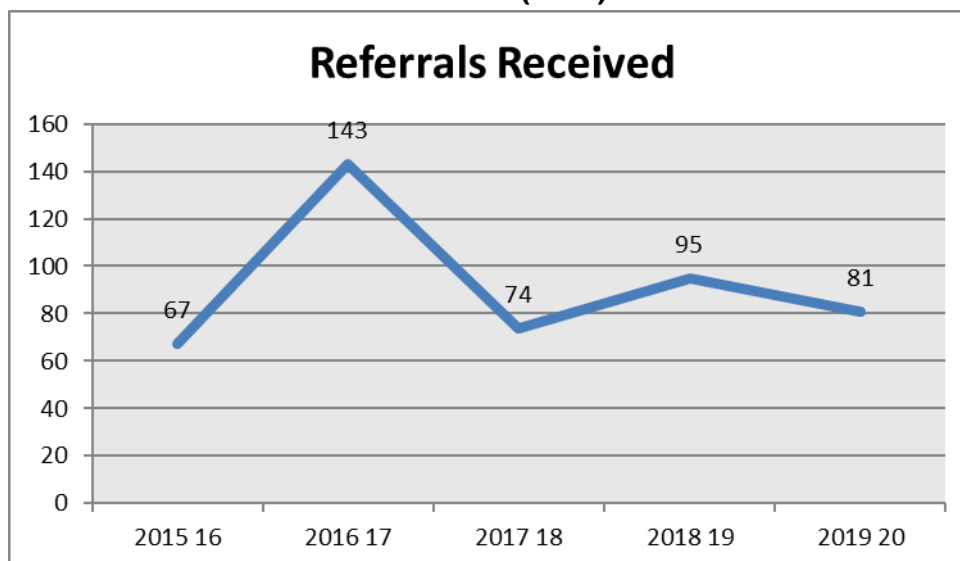
*Other 1 NNDR & 1 Mandate

Table 2. Who is reporting Fraud

Fraud Reported by Staff	Reports from Public	Data- Matching/ Proactive Investigations	Other	Total
24	51	2	4	81

- 2.11 In comparison to other SAFS Partners reporting of fraud in East Hertfordshire tends to be lower than elsewhere. The volume of reported fraud in 2019/20 reduced slightly on the previous year but the number does tend to fluctuate each year. SAFS regularly review this data to see if there are any trends or concerns for the lower reporting rate and this is shared with officers.

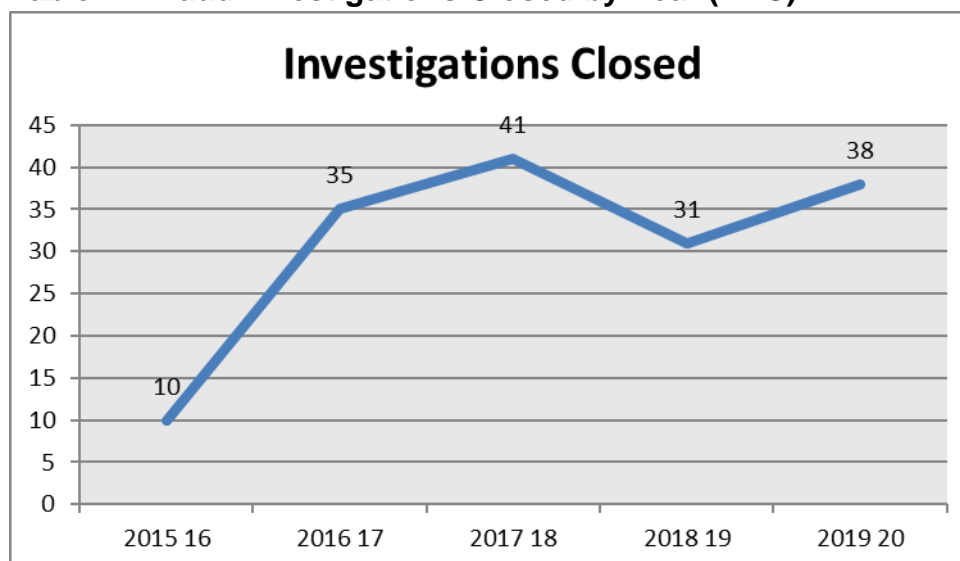
Table 3. Historic Fraud Referrals (EHC)



Investigation and Prevention Activity

2.12 At this time many cases raised for investigation are still in the early stages. However, of 38 cases investigated and closed in the year 23 identified fraud or error and recoverable losses of £162,000 and savings (through prevention) of £31,000 were reported. In a further 18 cases of alleged fraud compliance action, advice or warning letters were issued rather than full investigations. See **Appendix D** for a breakdown of all cases reported and investigated in 2019/20. At year end 22 cases remained under investigation.

Table 4. Fraud Investigations Closed by Year (EHC)



2.13 As well as the financial values identified SAFS has worked with the Revenue and Benefit Service to apply financial penalties as alternatives to prosecution where lower level fraud affecting Council Tax Discounts is uncovered.

Financial penalties were applied on 4 occasions in 2019/20. But, in more serious cases of fraud prosecution is still considered by the Council.

Case study 1:

An allegation was received by SAFS that a resident living in Ware had failed to declare, whilst claiming housing benefit and council tax reduction as a single person, that they had married and that their partner, who was in work, had moved in.

The subject of this case attempted to frustrate the investigation by failing to attend interviews and even failed to appear at court after being summonsed. This did not prevent the investigation identifying all the relevant facts and that overpayments for HB and CTR of just under £7,000 had occurred as result of the resident failing to report the change in circumstances.

After the failing to appear at court for initial hearings the subject was arrested and brought before the court to be sentenced to 12 weeks imprisonment suspended for 12 months and ordered to complete 200 hours unpaid work.

The overpayment is being repaid in full.

- 2.14 The vast majority of the investigation work for SAFS involves housing benefit or council tax discounts and SAFS works very closely with officers from the Council and the Department for Work and Pensions to ensure that all these cases are jointly worked in accordance with a national framework. In 2019/20 significant delays were encountered working with the DWP as their staff were redeployed to other areas and a number of cases have been carried into 2020.

Case study 2:

A Hertford resident failed to declare that for two years another adult (non-dependant) was living at their address and was working. This was identified as the result of a data match and was a joint investigation with the DWP. The overpayment of £4,700 is being repaid and an Additional Penalty of £522.00 was accepted by the claimant.

A benefit claimant from Bishops Stortford failed to declare a substantial amount of capital when claiming HB & CTR. Following an investigation these claims were cancelled, and an overpayment created between 2016 and 2019, that has since been repaid.

Due to the circumstances of this case a decision was made that priority should be given to recovery of losses and a civil penalty was imposed for £280.00 as an alternative to prosecution.

- 2.15 In March 2020 as part of the Governments response to the Covid-19 pandemic funding to support small businesses was provided via local councils. SAFS worked closely with Council officers at the time to provide assurance with pre-payment checks of all applications received and, is now providing a post payment assurance piece. Members of this committee received a detailed report on this work at its May 2020 meeting. As a result of the initial work 5 individual grant applications are under investigation for suspected fraud.
- 2.16 SAFS assist the Councils Civil Enforcement Officers (CEOs) in the prevention, detection and prosecution of blue badge misuse in the Councils car parks. In 2019 officers from the Council and SAFS engaged in a countywide blue badge abuse campaign which resulted in several misused badges being inspected and seized.

Case Study 3:

A woman from London has been ordered to pay costs and a fine after pleading guilty to misusing her mother's Blue Badge in Bishop's Stortford.

On the 16 August 2019 at Stevenage Magistrates Court, a female from Haringay pleaded guilty to a charge under section 117 Road Traffic Regulation 1984 for falsely displaying a disabled person's Blue Badge.

The court heard how the woman had parked her car in a disabled bay at Apton Road Car Park, Bishop's Stortford and displayed a Blue Badge belonging to her disabled mother when her mother was not with her. The woman was approached at the scene by officers from Hertfordshire Shared Anti-Fraud Service (SAFS) and later formally interviewed where she admitted misusing her mother's blue badge.

The woman pleaded guilty at the first opportunity for which she received credit from the bench and ordered to pay a fine of £126, investigation and prosecution costs of £650 and the Victim Surcharge of £30.

- 2.17 In November 2019 the Councils Communication Team, along with other SAFS Partners, took part in the *International Fraud Awareness Week* through a social media campaign explaining to the public the impact of fraud on the Council's finances as well as how the public can protect themselves against fraud.
- 2.18 The Council did not make use of the Council Tax Review Framework in 2019/20 conducting a review of all single person discounts claimed by residents across the District and although we are still awaiting the final report an estimated additional £100,000 in council tax was identified in 2019/20.
- 2.19 The Council has yet to fully comply with the statutory requirement of the National Fraud Initiative (NFI) 2018, however the vast majority of the high risk/priority matches have been fully reviewed and resolved. The NFI is a national anti-fraud exercise conducted by the Cabinet office every two years across local and central government. SAFS supports this work with Council officers responsible for the review of data-matches. Table 3. Below shows progress with this work in 2019/20, these statistics are in addition to these reported above and are shown at **Appendix D**.

Table 3. NFI Activity

Total Matches received 2018/19	High Priority Matches	Matches Reviewed at 31.3.2020	Matches Not Actioned or OS at 31.3.2020	Total
1,447	296	352	1,095	£125,222

- 2.20 In May 2019 the SAFS Partnership won the award for 'Overall Contribution' to combatting fraud from the Fighting Fraud and Corruption Locally Board at its annual conference hosted by CIPFA and in December 2019 won the 'Outstanding Partnership' at the inaugural Tackling Economic Crime Awards.

TECAs Awards December 2019

The winners of the first-ever Tackling Economic Crime Awards were announced on Monday 9th December at the Sheraton Grand London Park Lane where 250 representatives from the financial crime sector were in attendance. The winners were selected from an esteemed panel of judges and the awards were presented in 13 categories to public, private and third sector organisations and individuals who had made a significant impact in desisting all areas of economic crime.

Professor Martin Gill, founder of the TECAs, commented:

“It’s a great honour to be able to play a part in recognising the achievements of so many outstanding players in this sector. All the finalists and especially the winners should be proud. The judging process is strict and robust; each judge marks independently against a set of criteria, and they commit to declaring any conflict of interest. Each entry must achieve a fixed score threshold to become a finalist, ensuring consistent quality across the competition; which means all the finalists – individuals, teams and companies represent outstanding performance of the highest level.”

Outstanding Partnership – Hertfordshire Shared Anti-Fraud Service

The Hertfordshire Shared Anti-Fraud Service (SAFS) deals with the growing threat of fraud to local government. Set up in 2015, the partnership utilises local government funding to increase effectiveness in preventing and detecting fraud. The partnership includes seven councils across Hertfordshire and Bedfordshire and a number of social housing providers. The SAFS team members are all fully accredited and trained. The service has received 4,000 fraud referrals in the last four years and successfully investigated more than 1,500 individual cases, been responsible for 60 successful prosecutions and recovered more than 90 social homes as well as saving in excess of £15m in public funds across numerous council services.

3. SAFS Internal Audit 2019/20

- 3.1 It was agreed by the SAFS Board that in 2019/20 the Service would part of a Joint Review Audit, as part of the Shared Internal Audit Service (SIAS) 2019/20 Audit Plan, for all SAFS partners. The primary aim of the review was to provide assurance that the key objectives of SAFS are being achieved.
- 3.2 The final report for the 2019/20 Internal Audit Review of the Shared Anti-Fraud Service conducted by SIAS/BDO was provided to the SAFS Board on 27 May 2020. SAFS Management was very pleased to receive a ‘Good’ level of assurance from this report and the positive feedback provided by board members.

4. Transparency Code- Fraud Data

- 4.1 The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.
- 4.2 The Code also recommends that local authorities follow guidance provided in the following reports/documents:

CIPFA: *Fighting Fraud Locally Strategy*

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118508/strategy-document.pdf

The National Fraud Strategy: *Fighting Fraud Together*

(<https://www.gov.uk/government/publications/nfa-fighting-fraud-together>)

CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*

(<http://www.cipfa.org/->

[/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf](http://www.cipfa.org/-/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf))

4.3 The Code requires that Local Authorities publish the following data in relation to Fraud. The response for *East Herts Council* for 2019/2020 is in **Bold**:

- 3 Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.

Nil. (The Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and makes use of the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf.

- 4 Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.

1.5 FTE

- 5 Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.

1.5 FTE

- 6 Total amount spent by the authority on the investigation and prosecution of fraud.

£81,600

- 7 Total number of fraud cases investigated.

38 Cases investigated and closed in year

4.4 In addition, the Code recommends that local authorities publish the following (for *East Herts Council* Fraud/Irregularity are recorded together and not separated):

- Total number of cases of irregularity investigated-

See 7 above

- Total number of occasions on which a) fraud and b) irregularity was identified.

- Total monetary value of a) the fraud and b) the irregularity that was detected.

£162,000 of fraud losses & £31,000 of fraud savings identified in year (a further £125,000 in savings was identified through the NFI).