



East Herts Council

Anti-Fraud Report 2020/21

Recommendation

Members are recommended to:

- Review the Councils work to combat fraud in 2020/21
- Review the performance of SAFS in meeting its KPIs in 2020/21

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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 2020/21. The Committee are asked to note this work.

A number of recent reports about fraud in the public sector have been provided to officers and are used by SAFS to ensure that the Council is kept aware of its fraud risks finding ways to mitigate or manage these wherever possible. Details of these reports and other recommended reading for Committee members can be found at **Section 5** of this report.

Background

According to reports from CIPFA, 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.

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 vigilance in recognising fraud risks and the investment of sufficient resources in counter fraud activities.

It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.

East Herts Council is a founding partner of the Shared Anti-Fraud Service (SAFS). Members of this committee have received reports about how this service works closely with the Shared Internal Audit Service (SIAS) dealing with all aspects of fraud from prevention and deterrence to investigation and prosecution working with services and staff at all levels.

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

The Plan

- 2.1 This committee reviewed and commented on the Council's Anti-Fraud Plan for 2020/21 at its meeting in July 2020. A copy of the Plan can be found at **Appendix A.**
- 2.2 The plan was proposed by SAFS and agreed and approved by senior Council officers. 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. The Plan was developed at the time of the emerging Covid pandemic in March 2020. Although some 'delivery methods' and activity was reviewed a decision was made to keep the plan much as it was, focused on raising awareness and the prevention of fraud.

- 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 in-complete they have been carried forward into the current years (2021/22) plan, details of which was shared with this Committee in March 2021.

Staffing

- 2.3 In 2020/21 the SAFS Team was composed of 18 accredited and fully trained counter fraud staff based at the county council offices in Stevenage.
- 2.4 Each SAFS partner receives dedicated support by the allocation of officers to work primarily with that Council whilst allowing all officers to work with different partners from time to time. Providing the service in this manner allows SAFS officers to develop good working relationships with council staff 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, SAFS intelligence team, a Data-Analyst and an Accredited Financial Investigator. In all this provided at least 1.5 FTE staff to support the Council with all anti-fraud /bribery/ corruption/ money laundering matters. SAFS officers have access to Council offices, officers and systems to conduct their work

Fraud Awareness and Reported Fraud

- 2.6 A key objective for the Council is to develop the existing anti-fraud culture; ensuring senior managers and members consider the risk of fraud when developing policies or processes; helping to prevent fraud occurring; deterring potential fraud through external communication; encouraging all officers to report fraud where it is suspected; and providing public confidence in the Councils stance on fraud and corruption.
- 2.7 The Councils legal team reviewed all anti-fraud and corruption policies in 2020, including those on anti-bribery and anti-money laundering, taking into account the latest best practice and guidance. The final versions of these policies will be published in 2021.
- 2.8 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 Working with the Councils HR team SAFS have further developed its anti-fraud and corruption e-training package and completion of this training is mandatory requirement for all staff including new starters

2.10 During 2020/21 SAFS received 109 allegations of fraud (referrals) affecting Council services.

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

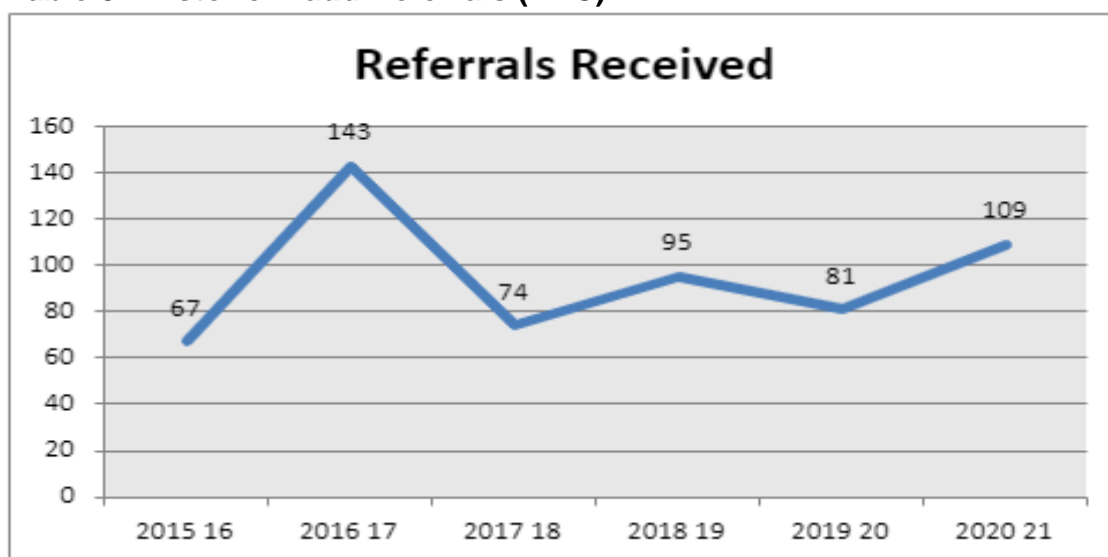
Council Tax Discount/ Housing Benefit	Housing	Blue Badge	NNDR/ Grants	Other	Total
83	10	1	14	1	109

Table 2. Who is reporting Fraud

Fraud Reported by Staff	Reports from Public	Data-Matching/ Proactive Investigations	Other 'Agency'	Total
27	74	6	2	109

2.10 The volume of reported fraud in 2020/21 increased on the previous three years with reports received from the public up, and fraud reported by staff increasing in relation to Covid grants schemes (NNDR) but decreasing overall. SAFS regularly review this data to see if there are any trends or concerns for reporting rates, this is shared with officers and used to develop awareness/publicity campaigns locally.

Table 3. Historic Fraud Referrals (EHC)



2.11 In the first half of 2020 fraud referrals from members of the public had dropped considerably, almost certainly as a result of the pandemic and national lockdowns. Working with the Councils communication and IT teams, along with other SAFS Partners, two separate fraud awareness/ publicity campaigns were launched in 2020. The first, delivered in August, titled #Fraudsters-aren't-on-

Furlough asked for the public's support to report fraud against the Council where they suspected it.

The second, launched as part of the *International Fraud Awareness Week* in November 2020, thanked the public for their support in previous campaigns and provided feedback on successes from these campaigns whilst reminding everyone to be vigilant about their own on-line safety. Both campaigns used social media for delivery.

Case study 1:

Social Media Campaign- August 2020- 'Fraudsters Aren't on Furlough'



7 Day campaign

Residents reached: 353,411 (Herts wide)

Link clicks (to SAFS homepage): 741- normally we have around 100 hits a week,

Referrals: 50 in a week - normally we receive between 20 and 25

Cost £500 for all costs

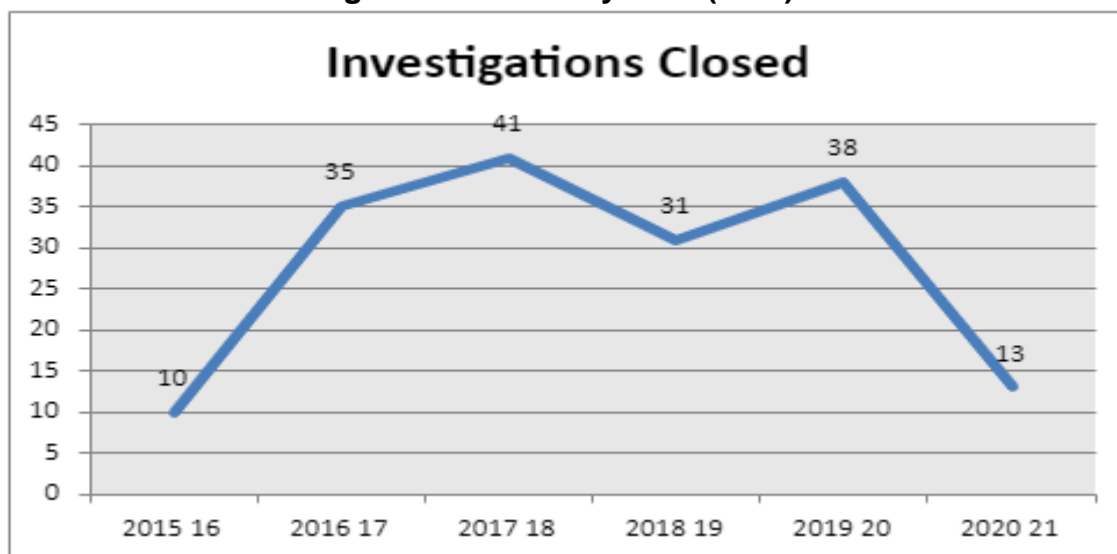
2.12 In 2020/21 SAFS issued fraud alerts on 31 occasions. These alerts covered areas such as the vulnerability to cybercrime for home working staff, new and emerging scams and spams, impersonation or CEO frauds and the increased threat of fraud caused by the Council's own and the Government's response to the Covid pandemic.

SAFS receives daily/weekly updates on new threats from a variety of sources including National Anti-Fraud Network (NAFN), National Cyber Security Centre (NCSC) City of London Police & National Fraud Intelligence Bureau (national lead on fraud and cyber-crime for policing and part of Action Fraud), London Fraud Forum (LFF), Credit Industry Fraud Avoidance Service (CIFAS), CIPFA, Hertfordshire Police (OWL, Neighbourhood Watch, BEACON-Hub) and Hertfordshire Trading Standards.

Investigation and Prevention Activity

2.13 At the time of writing many cases raised for investigation are still subject to investigation. However, of 13 cases investigated and closed in the year 11 identified fraud losses totalling £31,000. In a further 18 cases of alleged low value fraud compliance action, advice or warning letters were issued rather than full investigations. At year end 20 cases remained under investigation with an estimated fraud loss of £230,000.

Table 4. Fraud Investigations Closed by Year (EHC)



2.14 SAFS ability to conduct investigations in 2020/21 was severely hampered by the decision to work wholly from home in response to the Government lockdowns from March 2020. Although the service was in an excellent position to work from home, as the IT infrastructure and working practices were already in place, the impact on our work resulted from the restrictions when working with others.

- The DWP Fraud and Error Service, who we work with on many cases, redeployed all counter fraud staff to frontline delivery of Universal Credit.
- We were hampered in accessing the data held by our Partner Councils where we did not have remote access to systems- we have now improved our remote access to many Council systems.
- Council staff were focused on the local responses to the Covid pandemic and we saw 'business as usual' fraud reporting decline.
- We were unable to interview witnesses or the subjects of investigations initially due to the lock-down restrictions.
- In addition to this the courts dealing with civil and criminal matters were closed for all but the most serious matters.

2.15 During the pandemic we also felt that SAFS role around prevention should be stepped up and imposition of sanctions suspended as they could be counterproductive, only one case was prosecuted in 2020. We made a decision

that we would deal with as most low-level fraud by closing cases and sending advisory or compliance letters to customers. Dealing with serious fraud or that needing immediate attention would be prioritised and where cases that met this threshold but could not be dealt with quickly should be 'overloaded' for review post lockdown.

- 2.16 SAFS provided support with all of the Grants schemes administered by Council officers, as well as undertaking data-cleansing exercises proving pre and post payment assurance.

SAFS also provided guidance to the NNDR Team on the services provided by NAFN, CIFAS and the Cabinet Office. SAFS conducted several investigations where fraudulent applications for grants appeared to have been made and worked closely with Council officers to resolve these.

Case Study 2:

Referral received in May 2020 following an application for Government Covid-19 Small Business Grant from a Hertford Company.

Initial enquires by officers suggested that the company may have vacated their premises and were therefor not trading at the qualifying date.

Evidence obtained from the landlord of the premises confirmed that the company had vacated the premises before the qualifying date

The Grant application was refused.

- 2.17 SAFS provided enhanced and more frequent alerts about mandate / phishing frauds from national bodies including Cabinet Office, CIFAS/CIPFA/ NFIB, Police and NAFN were provided much frequently. We are still providing alerts to all SAFS Partners of new and emerging fraud threats and, where these are being identified or reported by SAFS Partners, sharing this intelligence with Action Fraud, Trading Standards, NCSC and CIFAS.
- 2.18 SAFS worked with NAFN and the Department for Business Energy & Industrial Strategy (BEIS) sharing data and intelligence about national scam emails to local councils attempting to obtain data about local businesses in the hospitality and pharmacy sectors so that fraudulent grant applications can be submitted.
- 2.19 SAFS Partners were contacted by local residents who had received phishing emails/telephone calls/ letters purporting to be from local councils or Government offering grants/refunds - these are aimed at obtaining bank account details many closely mimicking genuine Government/NHS/HMRC correspondence.
- 2.20 A Large part of the normal investigation work for SAFS involves housing benefit or council tax discounts and SAFS usually 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 2020/21

as mentioned already we encountered significant delays when working with the DWP as their staff were redeployed as part of the Governments wider response to the pandemic

Case study 3:

An allegation was received that a Hertford resident had failed to declare their full income and that they had another adult living with them who was in full time employment. A joint investigation with the DWP identified that over a four year period the resident had received payments of £3,660 for Housing Benefit and £625 in Council Tax reduction they were not entitled to.

On 16 September 2020 the resident appeared in court and pleaded guilty one offence of fraud, receiving a 12 month community order with 80 hours of unpaid work.

The overpayments of benefit are being recovered by an attachment of earnings

- 2.21 The Council made good use of the Council Tax Review Framework in 2020/21 conducting a review of all single person discounts claimed by residents across the District. In all 284 discounts were removed raising more than £130,000 in new council tax revenue.
- 2.22 The Council fully complied with the statutory requirement of the National Fraud Initiative (NFI) 2020, with all data-sets being uploaded by the deadlines in October, and some later ones (relating to the business grants data) in February 2021. SAFS and Council officers are now working through the output from that exercise received in March 2021. **Table 3** breaks down this work, and outcomes reported, so far.

Table 3. NFI Activity

Total Matches received 2020/21	High Priority Matches	Matches Reviewed at 30.4.2021	Matches Not Actioned or OS at 30.4.2021	Total loss detected
1,072	394	146	158*	£0

**The focus at present is on high priority matches- a further 678 low value/priority cases will be considered later.*

3 SAFS KPI Performance 2020/21

3.1 As part of the Councils Anti-Fraud Plan for 2020/21 a number of KPIs were agreed with SAFS to measure its performance and the return on investment from this shared service. The targets and performance against these are shown below.

KPI	Measure	Target 2020/21	Performance in Year
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.	Reports to SAFS Board in June, September, December 2020 and March 2021. EHC S.151 sits on the SAFS Board. Reports and meetings with s.151 quarterly.
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/ R&B Liaison Meetings.	A. 1.5 FTE working on EHC cases and projects in 2020/21 B. Reports to A&G Comm in May 2020, September 2020 and March 2021. C. SAFS has close working with relationship with R&B and regular liaison is taking place.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	A&B. both being met within 2 days at present.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD 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. SAFS has access to both and EHC staff can access NAFN B. SAFS Mgt are members of the CF Centre. C. See A above. D. 11 Training sessions were provided to council officers often via virtual or on-line delivery.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome. C. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, reported.	A. This is happening daily as referrals received B. 85% of cases closed had a positive outcome - (with the caveat that the out-turn of cases was much less than in previous years). C. This is happening daily as cases are investigated/closed and is used to produce reports to SAFS Board, SAFS Partner Senior Management and Audit Committees.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload for the Council. C. Consider other areas where the better use of data will benefit the Council financially.	A. A fraud-hub approach is being taken where data/knowledge/experience/expertise is shared across SAFS Partners. EHC is signed up the FraudHub participation in 2021/22. B. SAFS supported the Councils full compliance with NFI 2020/21 C. This includes the Herts Fraud-Hub as well as specific one-off data-matching/analytics.

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 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.

13 cases investigated and closed in year, a further 18 cases of irregularity investigated, and 20 cases still live at year end.

4.3 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.

11 Cases identified fraud.

- Total monetary value of a) the fraud and b) the irregularity that was detected.
£31,000 of fraud loss identified in year (a further £131,000 in new revenue was identified through a review of council tax discounts)

5. Further Reading

- *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*
- *Fighting Fraud and Corruption Locally a Strategy for the 2020's. (CIPFA/CIFAS/LGA)*
- *Tackling Fraud in the Public Sector. (CIPFA 2020)*
- *Guide to Understanding the Total Impact of Fraud (International Public Sector Fraud Forum 2020)*
- *Fraud in Emergency Management and Recovery (International Public Sector Fraud Forum 2020)*
- *COVID-19 Counter Fraud Measures Toolkit. (Cabinet Office 2020)*
- *Local Authority Covid-19 Business Support Grants Fact Sheet (Government Counter Fraud Function 2020)*
- *UK Annual Fraud Indicator 2017.*
- *Fraud and Corruption Tracker 2020. (CIPFA)*
- *United Kingdom Anti-Corruption Strategy 2017-2022. (HMG 2017)*
- *Code of Practice – Managing the Risk of Fraud and Corruption. (CIPFA 2014)*