



East Herts Council

Anti-Fraud Report 2021/22

Recommendation

Members are recommended to:

- Review the Councils work to combat fraud in 2021/22
- Review the performance of SAFS in meeting its KPIs in 2021/22

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1 Introduction and Background

Introduction

- 1.1 This report provides details of the work undertaken by the council and the Shared Anti-Fraud Service to protect the council against the threat of fraud and the delivery of the council's Anti-Fraud Action Plan for 2021/2022. CLMT and the Committee is asked to note this work.
- 1.2 Recent national reports and papers provided to council officers are used by the Shared Anti-Fraud Service (SAFS) to ensure that the Council is aware of new and emerging fraud risks as well as those established/known risks. This helps to mitigate or manage all fraud risks through a programme of work including the Council's annual Anti-Fraud Plan. Details of these reports, along with other recommended reading for Members, can be found below and at **Section 54** of this report.
- 1.3 Some of the most significant recent reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020's. This strategy focuses on the governance and 'ownership' of anti-fraud and corruption arrangements. The Strategy also identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud. The checklist is maintained and reviewed by SAFS and officers.

Tackling Fraud in the Public Sector 2020. 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 and MHCLG.

COVID-19 Counter Fraud Measures Toolkit. The Government Counter Fraud Function within the Cabinet Office provided a 'toolkit' of services, guidance, support for local government as part of the national response to the Covid-19 outbreak in the UK.

Calculating Losses from Tenancy Fraud. Since the closure of the Audit Commission in 2012 there has been no concerted effort to put a value on the cost to local authorities of tenancy fraud. This paper, published by the Fraud Advisory Panel & Charity Commission in partnership with LBFIG in 2021, estimates that the cost to local government for each social property that is detected as being sub-let is £42,000.

Background

- 1.4 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 higher than this.

- 1.5 The Cabinet Office, Department for Levelling Up, Housing and Communities (DLUHC), *formerly the Ministry for Housing, Communities and Local Government (MHCLG)*, National Audit Office, and CIPFA have also issued advice, and best practice guidance to support local councils in the fight to combat fraud and prevent loss to the public purse. This includes the need for all councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver tangible savings.
- 1.6 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.
- 1.7 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 across all services and staff at all levels.

2. SAFS Activity – Delivery of the 2021/2022 Anti-Fraud Plan

2021/2022 Plan

- 2.1 In March 2021 this committee approved the Anti-Fraud Plan for 2021/2022 that was developed with council officers in partnership with SAFS. A copy of the Plan can be found at **Appendix 1**.
- 2.2 The Plan includes resources and costings for its delivery, and activity to protect the council from fraud. The plan included a copy of the latest Fighting Fraud and Corruption Locally Strategy and Key Performance Indicators (KPIs) for SAFS which were agreed with senior officers. KPI performance can be found in **Section 4** below.
- 2.3 The Anti-Fraud Plan for 2021/22 was designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) by adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue. The plan identifies officers and members who are charged with delivering it.
- 2.4 In 2021/2022 the Council adopted the FFCL checklist as a 'To-do' list to assist in identifying weaknesses in its anti-fraud defences and a method to provide assurance to senior leaders and elected members about the effectiveness of the Councils anti-fraud activity. We will use the checklist as the backbone of the Councils future anti-fraud plans.
- 2.5 Members will note in the Plan that this Committee has a role in ensuring that the Council meets its objectives.

Staffing

- 2.6** The SAFS Team (in April 2021) was composed of 20 accredited and trained counter fraud staff and is based at Hertfordshire County Council's offices in Stevenage.
- 2.7** Each SAFS Partner receives dedicated support and response at present is achieved by allocating a number of staff to work exclusively for each Partner but also allowing officers within the Team to work across Partners from time to time. Providing the Service in this way allows SAFS staff to develop good working relationships with council officers as well as improved resilience and flexibility across the Partnership. SAFS staff have access to council offices, officers and systems to conduct their enquiries.
- 2.8** For 2021/22 SAFS planned to deploy 1 FTE Counter Fraud Officer to work exclusively for the council supported by SAFS Management and Support Team based at Stevenage. The Support Team includes specialists in data-analytics, financial investigations and Intelligence Officers.
- 2.9** SAFS officers are all fully trained and accredited and members, or working towards membership, of the Government Counter Fraud Profession. The Profession is divided into specialisms including awareness training, fraud risk assessment, investigations, intelligence, data-analytics and fraud management.

Fraud Awareness and Reported Fraud

- 2.10** A key objective for the Council is to continue developing its 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 Council's stance on fraud and corruption.
- 2.11** In 2021/2022, working closely with SAFS, Council officers began a review of anti-fraud policies to update them ready for publication in 2022.
- 2.12** 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 stories, guidance and advice as well as the opportunity for the public to report fraud directly to SAFS.

- 2.13** 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
- 2.14** Council staff can use the same methods to report fraud and if they work within Housing or Revenues & Benefits Services they can report fraud directly to SAFS staff working in the Councils offices.
- 2.15** SAFS delivered training to staff via remote/virtual means during 2021/2022 including general fraud awareness, use of the services provided by National Anti-Fraud Service and new services provided by the Cabinet Office as part of the National Fraud Initiative.

SAFS, LBC and Covid-19 Fraud 2021/2022

- 2.16** SAFS ability to conduct investigations in 2021/22 continued to be affected by the decision to the Government lockdowns throughout the year. The service remained in good 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 the frontline delivery of Universal Credit. These staff only began to return to normal duties, in limited numbers, from early 2022.
 - We were still 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 had to put special measure in place to interview witnesses or the subjects of investigations due to the lock-down/social distancing restrictions.
 - In addition to this the courts dealing with civil and criminal matters had a backlog of cases due to their enforced closures in 2020/2021 and limited capacity in 2021/2022.
- 2.17** During the pandemic we felt that SAFS role around prevention should be the priority for the service and, imposition of sanctions suspended as they could be counterproductive. We made a decision to resolve most low-level fraud by closing cases and sending advisory or compliance letters to customers. More serious allegations of fraud or those needing immediate attention would be

prioritised and, cases that met this threshold but could not be dealt with quickly should be 'overloaded' for review post lockdown.

- 2.18** SAFS provided support with all of the Grants schemes administered by Council officers, as well as undertaking data-cleansing exercises providing pre and post payment assurance. SAFS provided guidance to the NNDR Team on the services provided by NAFN, CIFAS and the Cabinet Office. SAFS conducted investigations where fraudulent applications for grants appeared to have been made and worked closely with Council officers to resolve these.

Case Study 1:

Referral received following an application for Government Covid-19 Small Business Grant from a Hertford based 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 by SAFS from the landlord of the premises confirmed that the company had vacated the premises before the qualifying date for the Grant being applied for.

The Grant application was refused.

Case 2:

In early 2021 SAFS shared an alert from the National Anti-Fraud Network with all of our partner revenue teams. The alert highlighted the use of a genuine business identity to make fraudulent applications for grants in that business name across various locations by a criminal gang.

The alert included details of emails and bank accounts that would be used to facilitate the fraud and conceal any attempt from the genuine business.

Officers at the Council working on grants made by businesses responded to the alert when they identified a similar matter. In this case officers had already rejected the grant application but the information provided matched that used in other fraudulent applications across the Country.

- 2.19** SAFS provided enhanced and more frequent alerts about mandate / phishing frauds from national bodies including Cabinet Office, CIFAS/CIPFA/NFIB, Police and NAFN.

- 2.20** 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.

Reactive and Proactive Fraud Investigation

- 2.21** In 2021/2022 SAFS issued fraud alerts on more than 20 occasions to Council officers/departments. 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/Government response to the ongoing Covid pandemic.
- 2.22** SAFS receives weekly/monthly/ad-hoc updates on new threats from a variety of sources including National Anti-Fraud Network (NAFN), National Cyber Security Centre (NCSC), National Intelligence Service (NATIS), City of London Police & National Fraud Intelligence Bureau (NFIB-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 Constabulary and Trading Standards.
- 2.23** During 2021/22 SAFS received 73 allegations of fraud (referrals) affecting Council services- this is a significant reduction compared to 2022/21 when 109 matters were reported.

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

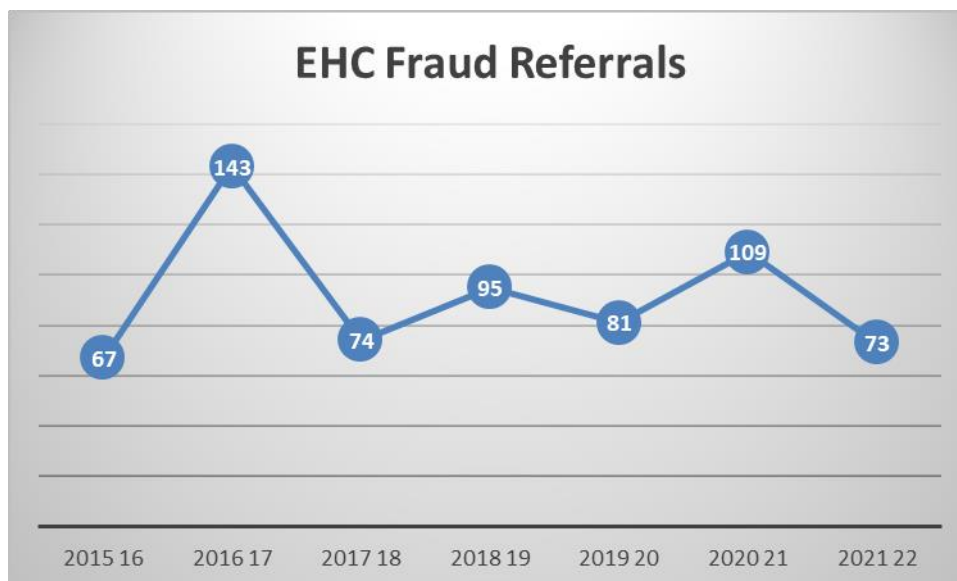
| Council Tax Discount/ Housing Benefit | Housing | Blue Badge | NNDR/ Grants | Payment/ Mandate | Payroll | Total |
|--|---------|------------|--------------|---------------------|---------|-------|
| 56 | 4 | 8 | 1 | 3 | 1 | 73 |

Table 2. Who is reporting Fraud

| Fraud Reported by Staff | Reports from Public | Data-Matching/ Proactive Investigations | Other 'Agency' | Total |
|-------------------------|---------------------|--|----------------|-------|
| 24 | 41 | 7 | 1 | 109 |

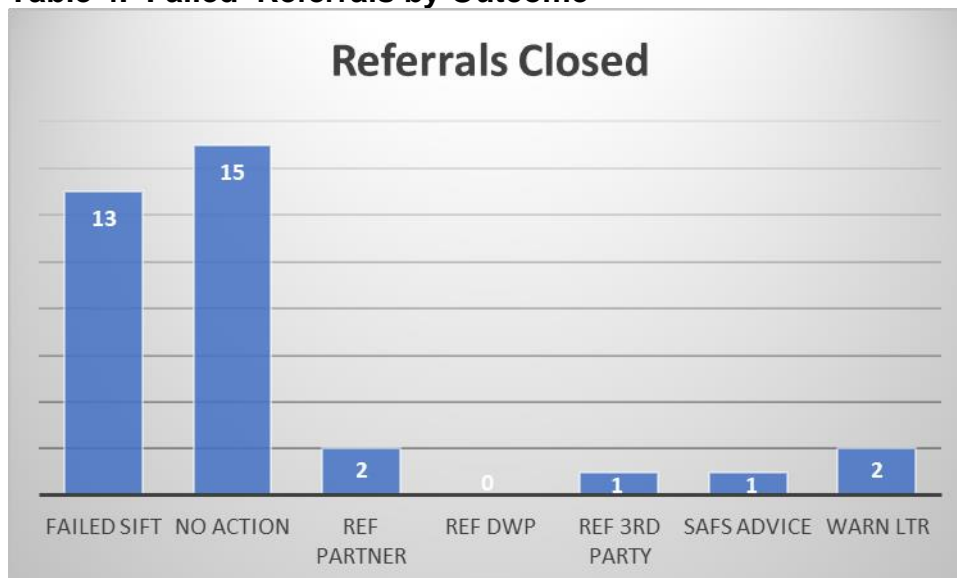
- 2.24** The volume of reported fraud by the public declined significantly and accounts for the 30% reduction in fraud reporting during 2021/22. SAFS regularly review this data to see if there are any trends or concerns for reporting rates, this is shared with officers and used to develop awareness/publicity campaigns locally.
- 2.25** We also saw a reduction in reported housing fraud and have been working closely with colleagues in Housing Services to ensure that any suspicions about fraud in this area are promptly reported to SAFS if they cannot be resolved locally.

Table 3. Historic Fraud Referrals



2.26 It should be emphasised that not every referral/allegation will need to be investigated and some allegations can be false/misleading or simply incorrect. Every referral is risk assessed and sifted by the SAFS Intelligence Team to determine what further action should be taken with each. 34 of the allegations received for the Council in 2021/22 were not selected for further investigation.

Table 4. 'Failed' Referrals by Outcome



2.27 Table 4 above details how those referrals that did not result in an investigation were dealt with.

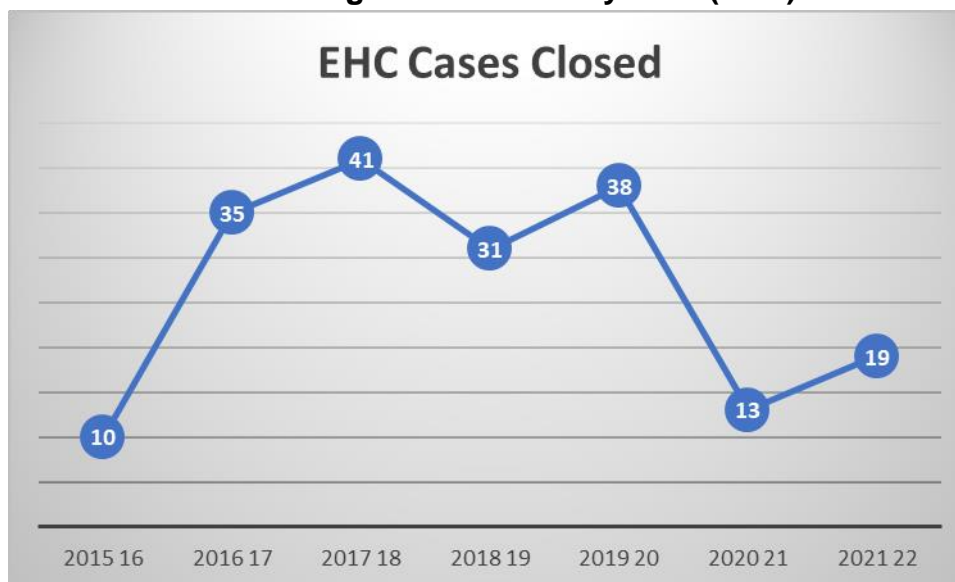
- 'Failed Sift' is normally used where the allegation cannot be attributed to person or a service area of the Council.
- 'No Action Required' are referrals where the 'subject' can be identified but no error/fraud is apparent, or the Council is already aware of the details made in the allegation.

- Referrals that are 'Referred to Partner', DWP or to 3rd parties occur where another agency is better placed than investigate the matter reported.
- 'SAFS Advice' is where some guidance/advice/support has been provided to Council officers, but a full investigation is not required.
- 'Warning Letters' are issued where the matter alleged is minor, this is often the case in the case of alleged Badge abuse.

2.28 In addition to the referrals where no investigation mentioned above 19 referrals regarding potential Council Tax Fraud were dealt with using a 'compliance' model to clear those cases, either due to the lower financial value or the period of any discrepancy was very short. In all these 19 Compliance reviews identified around £8,600 in council tax that could be recovered without the need for a full investigation or any sanctions being applied.

2.29 At this time many cases raised for investigation are still in the early stages. However, of the 19 cases (an increase from 13 in 2020/2021) investigated and closed in the year, 17 identified fraud- with recoverable losses of around £100k, and fraud savings (through prevention) of just over £80k reported. Senior officers have been provided with a detailed breakdown of which services have been affected by fraud and the outcomes from individual investigations.

Table 5. Fraud Investigations Closed by Year (EHC)



2.30 At year end 27 cases remained under investigation with an estimated fraud loss of £187,000.

2.31 SAFS works with several social housing across Hertfordshire providing a tenancy fraud service, any properties recovered in the council's catchment area are let to families from the housing register. In 2021/22 SAFS conducted 4 tenancy fraud investigations within the Councils boundaries with two properties being recovered and let to residents from the Councils housing register.

2.32 The vast majority of fraud referrals received from the public relate to housing benefit or council tax reductions/discounts. SAFS and the Councils Shared Revenue and Benefit services work closely with each other and, on occasion, with the DWP Fraud and Error Service (FES), to investigate allegations of this nature.

***Housing Benefit & Council Tax Reduction Scheme (CTRS) Fraud
Case Study 3:***

An allegation was received that a resident of Hertford had capital in excess of £16,000 that would make the claimant ineligible for Income Support on which the claims for housing benefit (HB) and Council Tax Reduction (CTRS) was based.

A SAFS investigation revealed that the claimant had made several large cheque withdrawals over a period of time in order to maintain the balance below the £16k threshold.

Further enquiries revealed that the claimant had opened a new bank account in order to conceal funds from the cheque withdrawals.

The investigation results were referred to the DWP because HB & CTRS were passported benefits, the DWP cancelled Income Support from February 2018.

This has resulted in overpayments of circa HB £22,500 CTRS £4,500 and the case is now being considered for criminal proceedings.

Case Study 4:

In another referral made to SAFS in 2019, an allegation that an applicant for CTRS had failed to declare that they had commenced work in 2018, which if disclosed, would affect their claims for housing benefit (HB) and Council Tax Reduction (CTRS).

SAFS were asked to investigate the failure and as the investigation commenced enquiries with HMRC and a review of the applicants bank account records revealed further work dating back to 2015 that had not been reported to the Council, or the DWP

The undeclared work created an overpayment of £22,640 HB and £6,213 CTRS. This case is also being considered for prosecution.

Case Study 5:

An applicant for CTRS declared that his employment stopped due to Covid-19. He started to work again and received four self-employed Government Covid grants, but failed to inform the council of these payments.

The earnings and grants came to light following a data match.

Further enquires by SAFS obtained bank statements to ensure full earnings had been correctly declared but upon reviewing the statements it was identified that the grants paid had increased the applicants capital to more than £16k and the Council had not been informed of this.

Further banking evidence has been requested and the Council have suspended all benefits until a full assessment can be made.

- 2.33** The Council did not make good use of the Council Tax Review Framework in 2021/22, but has agreed to take part in the new framework from 2022 onwards. SAFS have worked with colleagues in the finance team at the County Council to ensure that all contractual costs for the 2022 framework are re-imbursed in full for East Herts Council.
- 2.34** The Council fully complied with the statutory requirements of the National Fraud Initiative (NFI) 2020/21. The NFI is a national anti-fraud data sharing/analytics exercise conducted by the Cabinet office every two years across the whole of local, part of central government and the NHS. SAFS supported Council officers dealing with the NFI matches received in February/March 2021 and this exercise was closed in March 2022.

3 SAFS KPI Performance 2021/22

3.1 As part of the Councils Anti-Fraud Plan for 2021/22 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 2021/22 | Performance 2021/22 |
|-----|--|---|--|
| 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. | Regular meetings take place with the Service Director – Finance, Had Revenues & Benefits and other members of the senior leadership team. SAFS reports are provided to its Board and the Councils Audit & Governance Committee. |
| 2 | Provide an investigation service. | A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit & Governance Committee. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings. | A. 1 FTE in place for 2021/2022 B. 3 Reports to AC in July/Dec/March. C. SAFS works closely with Service Champions across the Council. |
| 3 | Action on reported fraud. | A. All urgent/ high risk cases 1 Day. B. All other cases 2 Days on Average. | A & B. All referrals responded to within 24 hours on average. |
| 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. 10 Training events for staff/Members in year. | A. EHC has membership of NAFN via SAFS and SAFS provides PNLD licence for EHC Legal Services. B. SAFS is a member of CIPFA via HCC. C. Training has been provided to staff by SAFS and via NAFN webinars. D. Eight formal training events were delivered in 2021/22 for officers in Housing/Benefits, Environmental Health and Planning. Officers were also invited to attend NAFN webinars. |
| 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. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. | A. All referrals are logged onto the SAFS CMS. B. The outcomes of all cases are captured on the CMS and reported to Partners and Board. |
| 6 | Making better use of data to prevent/identify fraud. | A. Support the NFI 2020/21 Output and reports across services. B. Support the implementation of the Herts FraudHub at EHC. C. Consider other areas where the better use of data will benefit the Council financially. | A. NFI Exercise complete B. EHC have joined the Herts FraudHub, but only started to have an effect early in 2022. C. Additional data-matching was conducted comparing data held housing services to council tax data. |

4. Anti-Fraud Work 2022/23

- 4.1 The council has in place a revised Anti-Fraud, Bribery & Corruption policy and an Anti-Money Laundering Policy, and these have been reviewed to maximise their impact on prevention and deterrence as well as updating the policies in line with changes to legislation. These policies are due to publication on the Councils webpages/intranet in the next few weeks.
- 4.2 The 2022/2023 Anti-Fraud Plan was approved by this Committee at its March 2022 meeting. The Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Locally Strategy for the 2020s*.
- 4.3 Between April and June this year a further 21 allegations of fraud have been reported to the Council/SAFS, 34 cases are under investigation (including those carried forward from 2021/22) with an estimated fraud loss of £213k.
- 4.4 SAFS are working closely with the Councils comms team to deliver some extra guidance/awareness for the public on how they can help the Council by reporting suspicions of fraud in July and August
- 4.5 Further fraud awareness training for staff is being planned for with the HR Team including sessions on anti-money laundering for staff in legal/ finance/ procurement/ revenues.
- 4.6 Linked to our Anti-Money Laundering programme of work in 2022 we are working with educational establishments across the County to deliver awareness sessions for students on the risk of becoming 'money mules'

Case Study 6

An investigation was conducted by SAFS into a suspected 'Mandate Fraud' for another SAFS Partner found that £44,000 had been fraudulently diverted to a mule bank account following the interception of communications between the Council and a contractor.

Utilising SAFS in-house Accredited Financial Investigator, the funds were immediately traced to bank accounts belonging to the suspect in the case. The enquiries revealed that the funds had been spent by the subject or transferred to other accounts in the UK and abroad.

The suspect was traced and interviewed under caution where they admitted receiving and distributing the stolen funds. They are now awaiting trial for offences of money laundering.

The subject of this ML investigation was a student nurse who has now been disqualified from continuing with their degree as a result of the alleged offences.

- 4.7 Further updates will be provided to Members on progress with delivering the Anti-Fraud Plan for 2022/23 and all activity being undertaken to prevent the Council suffering losses due to fraud later this year.

5. Transparency Code- Fraud Data

- 5.1 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.

- 5.2 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**:

- 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.

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

1.5 FTE

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

1.5 FTE

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

£81,600

- Total number of fraud cases investigated.

19 cases investigated and closed in year, a further 70 cases still live at year end.

- 5.3 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.

17 Cases identified fraud.

- Total monetary value of a) the fraud and b) the irregularity that was detected.
£100k of fraud loss reported in year and £80k in fraud prevention identified.

6. Further Reading

- *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*
- *Running on Empty (How the Pandemic Revealed a Wasted Decade) Fraud Advisory Panel 2022.*
- *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)*