



Stevenage Borough Council

2021/22 Annual Fraud Report and progress with delivery of the 2022/23 Anti-Fraud Plan

Recommendation

Members are recommended to:

- Note the Councils work to combat fraud in 2021/22
- Note the performance of SAFS in meeting its KPIs in 2021/22
- Note the Progress with delivering the Anti-Fraud Plan for 2022/23

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A. SBC Anti-Fraud Plan 2021/2022

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Purpose

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. It also provides a brief update on work to date in 2022/23.

Background

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 **para 55** of this report.

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 2021, estimates that the cost to local government for each social property that is detected as being sub-let is £42,000.

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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.
5. The Cabinet Office, Department for Levelling Up, Housing and Communities (DLUHC), 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.
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.
7. Stevenage Borough Council is one of the founding members of the Shared Anti-Fraud Service (SAFS) and Members of this committee have received regular reports since 2015 about how the SAFS deals with all aspects of fraud from prevention & deterrence to investigation & prosecution, working with staff at all levels across the Council.

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Delivery of the 2021/2022 Anti-Fraud Plan

2021/2022 Plan

9. In March 2021 this committee approved the Anti-Fraud Plan for 2021/2022 which was developed with council officers in partnership with SAFS. A copy of the Plan can be found at **Appendix A**.
10. The Plan includes resources and costings for its delivery, and activity to protect the Council from fraud. The plan includes Key Performance Indicators (KPIs) for SAFS which were agreed with senior officers. The SAFS KPI performance can be found in **Table 6**.
11. 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.
12. 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 Council's anti-fraud activity. We will use the checklist as the backbone of the Council's anti-fraud plans from 2022/23 onwards, adding additional actions/objectives as they arise or become relevant for Stevenage Borough Council.

Staffing

13. 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.
14. Each SAFS Partner receives dedicated support and response, this 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.
15. For 2021/22 SAFS (in line with the plan) deployed 1 FTE to work exclusively for the council supported by SAFS Management and Support Team based at Stevenage. The Council and SAFS also arranged for the secondment of the

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Councils Tenancy Fraud Officer into SAFS and this continues to provide a much enhanced service for the Council, with the officer in question provided with the same management and support as other SAFS officers. The Support Team includes specialists in data-analytics, financial investigations and Intelligence Officers.

16. SAFS officers are all fully trained and accredited and members of 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

17. 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 Councils stance on fraud and corruption. In 2021/2022, working closely with SAFS, Council officers to review of anti-fraud policies ready for publication in 2022.

18. The council's website has links for the public to report fraud by email, telephone or using the SAFS online reporting tool. As well as encouraging the public to report any suspected fraud to the Council:

[Reporting Fraud \(stevenage.gov.uk\)](https://www.stevenage.gov.uk/reporting-fraud)

The SAFS webpages include latest news and reports on fraud cases.

www.hertfordshire.gov.uk/fraud

19. Council staff can use the same methods to report fraud or if they work within Housing, Revenues & Benefits Services they can report fraud directly to SAFS staff working at the council.

20. 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.

21. The e-training module on fraud and bribery is available for staff and a new version of this began development in 2021 and will be completed by the summer of 2022.

SAFS and Covid-19 Fraud 2021/2022

22. SAFS ability to conduct investigations in 2021/22 continued to be affected by Government lockdowns throughout the year. The service remained in a good

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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 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.

23. During the pandemic we felt that the SAFS role around prevention should be the priority for the service and the imposition of 'sanctions' were 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' (the allegations were recorded, but any further action suspended until a later date when appropriate resources could be released) for review post lockdown.

24. 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 Council officers dealing with the various grant schemes 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.

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Case Study 1: *In 2021 an allegation passed to SAFS indicated that a Covid Business Grant application had been paid to a person who may not have been entitled to the payment.*

An investigation conducted by SAFS revealed that the tenant of a business address owned by the Council had, without the Councils knowledge or consent, sold the business to a third party prior to March 2020 (this was the relevant date for the first tranche of Covid Business Grants) although the lease had remained in the original business owners name.

When the new occupier came forward to apply for a Grant in March/April 2020 it was found that the previous occupier or an agent for them had made a fraudulent application for the Grant in the old business name- which the Council still held as the tenant had failed to report the changes in accordance with their lease.

As a result of the investigation it was found that a £10,000 grant had been paid to someone not entitled to it and recovery action commenced. Papers are now with the Councils legal team to consider charges for offences of fraud against a number of individuals.

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

Case Study 2: *The Head of Procurement at SBC contacted SAFS after they had received what appeared to be spam email from Stevenage Leisure Limited asking if their bank details could be changed on the Councils finance systems prior to the December 2021 payroll.*

The officer recognised it is an attempted fraud and took no further action with the email after referring the matter to SAFS.

SAFS reported the email Action Fraud and the shared the MO with the National Anti-Fraud Network to disseminate to other Councils.

The Councils IT Team reviewed the email to check for an viruses and the email account was blocked. The email details were also shared with the National Cyber Security Centre (NCSC).

26. SAFS maintains its close relationship with its sister service the Shared Internal Audit Service (SIAS) sharing knowledge of known frauds/trends to help inform audit planning. The excellent working relationship with the council's Legal Team has been maintained including work on civil recovery of council homes, criminal litigation and policy review.

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Reactive and Proactive Fraud Investigation

27. 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.
28. 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 (including OWL) and Trading Standards.
29. During 2021/2022 SAFS received 112 allegations of fraud affecting council services (a slight decrease from 2020/2021).

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

Council Tax Discount Fraud	Housing Benefit/CTR Fraud	Tenancy/Housing	Blue Badge	Other *	Total
6	56	39	4	7	112

*Other includes Payroll/Grants/Mandate etc.

Table 2. Who is reporting fraud:

Fraud Reported by Staff	Reports from Public	Data-Matching/Proactive Investigations	Other Agencies	Total
43	59	10	0	112

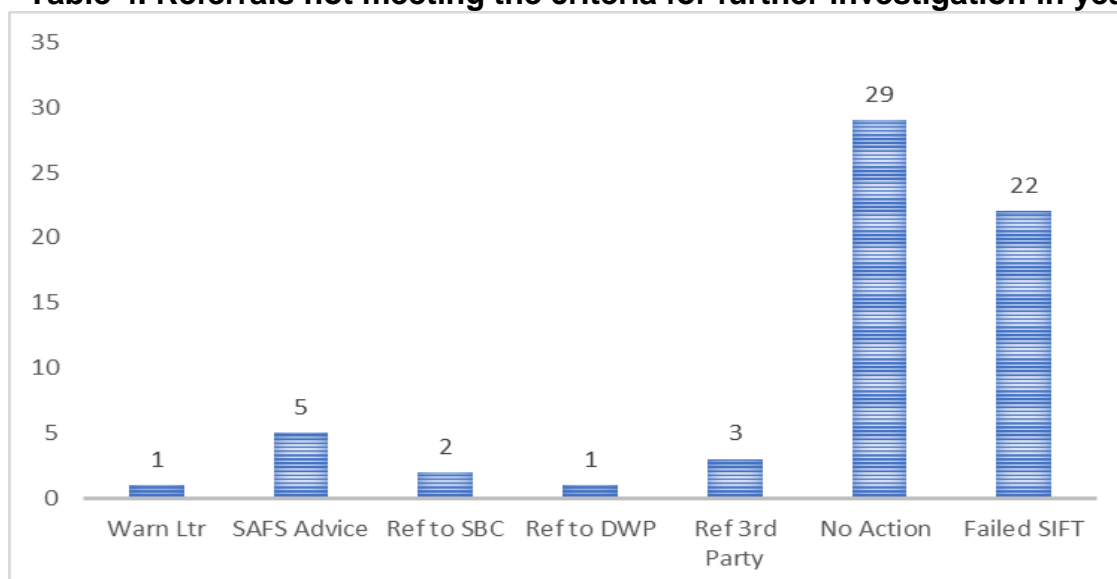
30. We continue to work with the Councils Communication Team to issue publicity encouraging the public to report fraud and help protect public funds, as well as press releases of cases investigated/prosecuted by the Council. The Council takes part in *International Fraud Awareness Week* in November each year.

Table 3. Historic Fraud Referrals (SBC)



31. It should be emphasised that not every referral/allegation will need investigation and some allegations can be false/misleading or simply ill-informed. Every referral is risk assessed and sifted by the SAFS Intelligence Team to determine what further action should be taken with each. 63 of the allegations received for the Council in 2021/22 did not meet the criteria for further investigation.

Table 4. Referrals not meeting the criteria for further investigation in year



32. 'Failed Sift' is where the allegation cannot be attributed to any service provided by 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 facts reported. Referrals that are passed to 'DWP', 'SBC' or to 3rd parties occur where another agency is best placed to deal with the matter. 'SAFS Advice' is where some

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guidance/advice/support has been provided to Council officers, but a full investigation is not required. Warning Letters can be used for small value frauds to encourage compliance with the rules/guidance/legislation.

33. In addition to the referrals that did not require an investigation 15 'low risk' cases involving alleged housing benefit or council tax fraud were resolved through compliance activity or review. This resulted in the identification of £12k in additional savings for the Council. These lower-risk cases would previously have become full investigations taking up valuable resources.
34. At this time many cases raised for investigation are still in the early stages. However, of the 42 cases (an increase from 38 in 2020/2021) investigated and closed in the year, 23 identified fraud - with recoverable losses of £253k, and fraud savings (through prevention) of £251k reported. Senior officers have been provided with a detailed breakdown of which services have been affected by fraud and the outcomes from individual investigations.
35. At year end of March 2022 46 cases remained under investigation with an estimated fraud loss of just over £450k.

Table 5. Fraud Investigations Closed Each Year (SBC)



36. As well as the financial values identified SAFS assisted in the recovery of 7 Council properties that were subject to some form of tenancy fraud. SAFS have conducted 71 reviews of 'right to buy' applications and uncovered one fraudulent 'right to buy' application, preventing a property being lost from the councils housing stock.

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Case Study 3: *In the summer of 2021 information was received by the Council that tenants of a Council property in the St Nicholas Ward had left the property and moved abroad.*

An investigation conducted by SAFS confirmed that the tenant had moved abroad and had sub-let their property in breach of their tenancy agreement.

Evidence was obtained about the location of the tenant including their new address abroad and intention to remain outside the UK as well as details of rent passing between them and the person they had illegally sublet the property to.

The property has not been recovered and will be relet to a family from the Councils Housing Register. The costs to the Council of this fraud exceed £10,000.

SAFS and Council Officers are considering what further action can be taken in this case.

37. SAFS had also identified, by the end of March 2022, that a further 4 council properties were being sub-let, or misused, in contravention of the tenancy agreements. These matters had all been reported to the council's housing and legal services.
38. 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 two such cases were investigated within Stevenage.
39. The majority of fraud referrals received from the public relate to housing benefit or council tax reductions/discounts. SAFS and the Councils 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.

Case Study 4: *As part of a proactive drive by SAFS to identify fraud on the Councils Housing Register a data-match identified that a person applying for housing from an address in the Great Ashby Ward had declared that they lived at the same address as a person claiming a council tax discount.*

Further enquires by SAFS showed that the liable person and tenant living at the address was claiming a number of state benefits and the council tax discount as a single person who was not in employment. Enquiries about the person on the Housing Register indicated that they were the partner of the person who was claiming benefits as if they lived alone.

When spoken to about the evidence obtained the subject of the investigation admitted having their partner living with them since 2018 and all benefits and discounts were

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removed from that date, creating overpayments of housing benefit and council tax discounts in excess of £7,000.

40. SAFS have worked closely with the council's HR and Legal teams on a number of allegations involving staff misconduct and this resulted in two members of staff being disciplined or dismissed in 2021/2022.

Case Study 5: *In 2020 an allegation was received that a Council employee was obtaining building materials using a purchasing card and selling these same materials online as well scrapping lead metal from the Councils depot to local merchants for personal gain.*

A disciplinary investigation was undertaken by SAFS supported by HR and the employee made admissions to stealing and misusing Council property. The employee was dismissed for gross misconduct in August 2021

A criminal investigation followed and found further evidence of thefts dating back to 2017. The employee further admitted to stealing as far back as 2017 in a formal interview, but an exact cost could not be quantified at the time. It is now estimated that the loss caused to the Council exceeded £30,000.

41. SAFS supported the Council in its compliance with the National Fraud Initiative (NFI) matches received in January 2021. The NFI is a national anti-fraud data sharing exercise conducted by the Cabinet office every two years across local and central government.

SAFS KPI Performance 2021/22

42. 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.
43. With the exception of 4D, 5C,5D and 6C all objectives were met in 2021/22.

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Table 6. SAFS KPIs for 2021/2022 and Performance

KPI	Measure	Target 2021/22	Performance
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 members of the Councils senior leadership team. The Councils Strategic Director (CFO) sits on the SAFS Board in 2021/22 and received updates from SAFS. 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. Reports to Audit Committee. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	A. 1 SAFS FTE in place for 2021/2022 as well as SBC TFO secondment to SAFS for 2021/22. B. Reports to AC in July/Dec/March. C. SAFS works closely with Service Champions across the Council and sits on the Corporate Government Group.
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. SBC has membership of NAFN and PNLD licence via SAFS. B. SAFS is a member of CIPFA via HCC. C. Training has been provided to staff by SAFS and via NAFN webinars. D. Nine training events were delivered in 2021/22 for officers in Housing/Benefits and Finance.
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. C. Achieving a 60% success rate of cases selected for investigation. D. Assist in the recovery of property, prevention of fraudulent RTB applications- 12 properties in total.	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. C. 55% Achieved. Of 42 cases closed 23 had a 'positive' outcome. D. 7 Properties were recovered in 2021/22 and 1 RTB was prevented. Although the target of 12 was not achieved 4 cases are awaiting recovery but delayed due to backlogs in courts.
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 with, a full review by the Council B. SBC joined the Herts FraudHub in early 2022. C. SAFS focus on the FH and clean-up of the NFI work in 2021/22 was our priority. We are considering other areas for the improved use of data in 22/23.

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2022/2023 Anti-Fraud Activity

- 45.** The council has in place an 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. The ongoing review of policies includes the Whistleblowing Policy which has been reviewed with HR and legal services as well as senior management.
- 46.** The 2022/2023 Anti-Fraud Plan was approved by this Committee at its March 2022 meeting. This Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Locally Strategy for the 2020s*. The Plan also includes assurance that the council benefits from a positive return on its investment in the SAFS Partnership.
- 47.** Training has already been delivered to new and existing staff in Housing Services on fraud awareness and reporting. Training is planned for staff in legal, finance, housing, procurement through September and October on the Councils new Anti-Money Laundering policy.
- 48.** Between April and July 2022 a further 45 allegations of fraud have been reported to the Council/SAFS, 47 cases remain open with an estimated value of £350k, 8 cases have been closed and fraud losses/savings combined of £210k recorded. Three Council properties have been recovered and 33 right to buy reviews completed.
- 49.** SAFS are currently working with the Councils parking enforcement service investigating an alleged serious abuse of stolen or misused Blue Badges in a number of locations across the Borough.
- 50.** A further report will be provided to Members on all activity being undertaken to prevent the Council suffering significant losses due to fraud in December 2022.

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Transparency Code – Fraud Data

51. 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.

52. The Code also recommends that local authorities follow guidance provided in the following reports/documents:

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)

53. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for Stevenage Council for 2021/2022 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 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.

2.5 FTE

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

2.5 FTE

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

£108 (SAFS fee) + TFO- Est- £40k

- Total number of fraud cases investigated.

42 Cases investigated and closed in year

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

- Total number of cases of irregularity investigated-

See above -

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

23 Occasions where fraud/irregularity identified

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

Reactive - £253k fraud losses reported, £251k fraud prevented

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

Not recorded separately

List of Background Papers - Local Government Act 1972, Section 100D

55. (a) *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*
(b) *Fighting Fraud and Corruption Locally a Strategy for the 2020's (CIPFA/CIFAS/LGA)*
(c) *Tackling Fraud in the Public Sector (CIPFA 2020)*
(d) *Guide to Understanding the Total Impact of Fraud (International Public Sector Fraud Forum 2020)*
(e) *Fraud in Emergency Management and Recovery (International Public Sector Fraud Forum 2020)*
(f) *COVID-19 Counter Fraud Measures Toolkit (Cabinet Office 2020)*
(g) *Local Authority Covid-19 Business Support Grants Fact Sheet (Government Counter Fraud Function 2020)*
(h) *Fraud and Corruption Tracker 2020 (CIPFA)*
(i) *United Kingdom Anti-Corruption Strategy 2017-2022 (HMG 2017)*
(j) *Code of Practice – Managing the Risk of Fraud and Corruption (CIPFA 2014)*
(k) *CALCULATING LOSSES FROM HOUSING TENANCY FRAUD (Tenancy Fraud Forum 2021)*
(l) *A Guide to the European Union AML/CFT Framework (ComplyAdvantage.com 2022)*