



## Stevenage Borough 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 Stevenage Borough Council (the Council) is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously 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 trained counter fraud staff 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. SAFS also support and direct the work of the Councils in-house Tenancy Fraud Investigator.

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 TOMARCH 2020	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 £222k in loss/savings. CTR Review identified £95k in Council Tax. NFI identified £184k 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 Stevenage Borough Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Corporate Governance Groups.	A. FTE in post B. AC reports included in Fwd Plan. C. Meetings and liaison 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 C. Provide compliance for 'Joint Working' with DWP/FES	A&B. Current performance 1 day on average for all referrals. C. JW with DWP in place	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 E. Provide support to in-house TF Officer	A&B. NAFN/ CIPFA Membership. C. NAFN non-fraud training offered D. Training events being organised with HR. E. Liaison in place with Hsng Mgt to support TF role.	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 C. 12 Social homes secured from sub-letting or other unlawful tenancy breaches. D. 100% Review of RTB Application.	A. Referrals to end September- 156 B. 48% (45 cases closed) C. 7 D. 100%	This target will measure the effectiveness of the service in promoting the reporting of fraud & 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. SBC in final tranche for joining the Hub in 2020. B. NFI Review ongoing and progressing well	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

2.7 Although 5B was some way short of the 60% target agreed we still feel that a 48% success rate compares favourably to the clear up rates for crime nationally which the police reported at 7.9% in July 2019.

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 commenced a review of all anti-fraud and corruption policies including those on anti-bribery and whistleblowing and the latest version of these will be published later in 2020.

2.11 The Council's website includes pages on how fraud affects the Council including the following pages <http://www.stevenage.gov.uk/about-the-council/tenders-and-contracts/84493/> and <http://www.stevenage.gov.uk/benefits/25786/> .The website has links for the public to report fraud and links 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 156 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
82	63	7	4	156

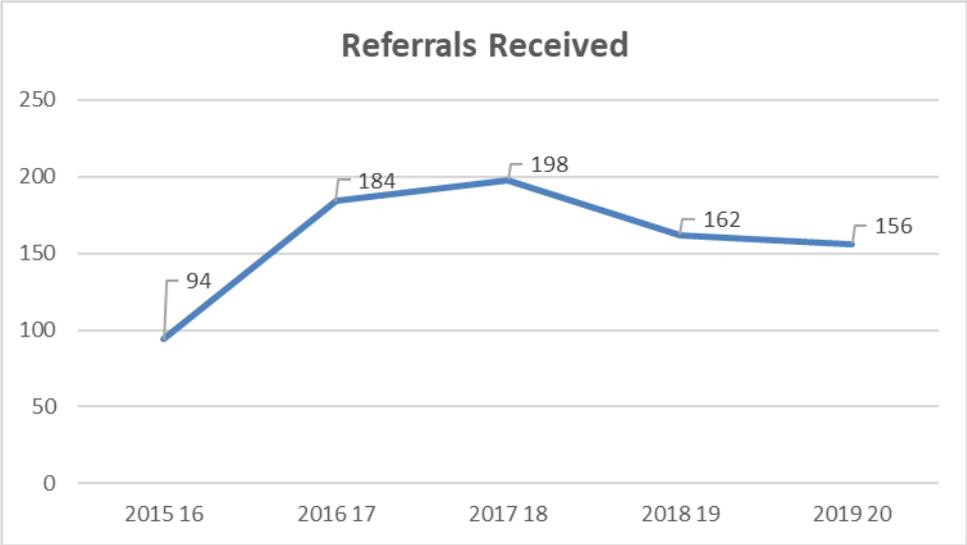
\*Other 1 NNDR & 1 Mandate

**Table 2. Who is reporting Fraud**

Fraud Reported by Staff	Reports from Public	Data- Matching/ Proactive Investigations	Other	Total
61	47	48	0	156

2.11 In comparison to other SAFS Partners reporting of fraud in Stevenage tends to be slightly higher 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.

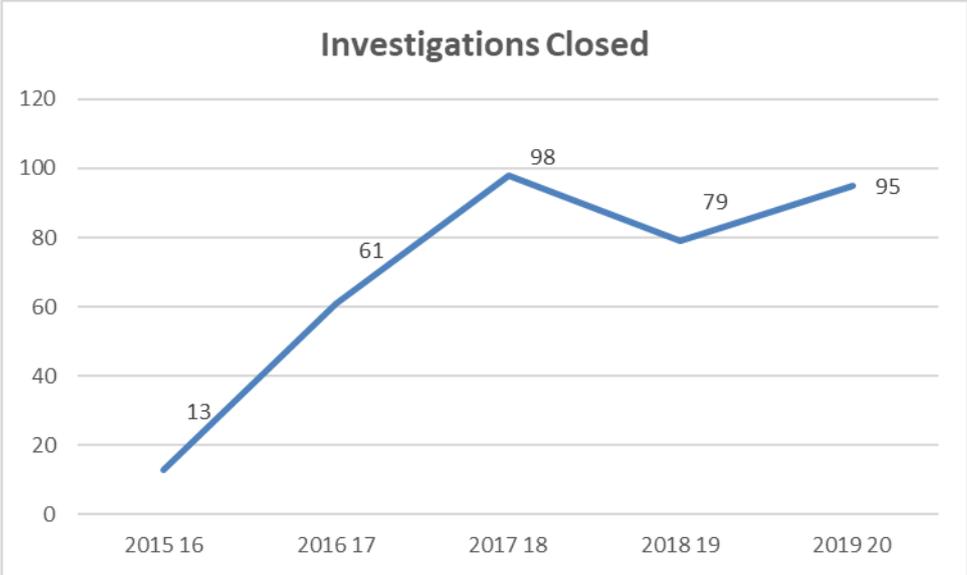
**Table 3. Historic Fraud Referrals (SBC)**



Investigation and Prevention Activity

2.12 At this time many cases raised for investigation are still in the early stages. However, of 95 cases investigated and closed in the year 45 identified fraud with recoverable losses of £120,000 and savings or new revenue (through prevention activity) of £102,000 being recorded. A further 12 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 82 cases remained under investigation.

**Table 4. Fraud Investigations Closed by Year (SBC)**



2.13 As well as the financial values identified SAFS has worked with the Shared 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 5 occasions in 2019/20. But, in

more serious cases of fraud prosecution is still considered by the Council or agencies that the Council works with to prevent and deter fraud.

**Case Study 1:**

*Following an allegation about a separate matter during a formal interview a claimant mentioned that her daughter had commenced work. Enquiries with the council revealed that this employment had not been declared and she was interviewed under caution regarding this new matter. The claimant admitted that due to difficult personal circumstances she found herself in at that time she may have failed to update the council but this was unintentional. She stated she now had a job and was no longer on benefits so was able to pay the overpayment. Having reviewed the claimants circumstances the claimant was offered an administrative penalty as an alternative to prosecution which was signed and accepted on the 20th November 2019.*

*In another case referred to the Shared Anti-Fraud Service in February 2019. Following a discussion with the council a claimant had advised that he was living off his father inheritance. The council requested further information but the claimant failed to respond and his benefits were suspended. Evidence of the inheritance was obtained and an overpayment was generated. The claimant was interviewed under caution for failing to notify a change in circumstances. The claimant stated that he did not declare the inheritance as he did not see this as an income he needed to declare and stated that he did not intend to defraud the council. An administrative penalty was offered to the claimant which was signed and accepted on the 17th December 2019.*

**Case study 2:**

*A Stevenage resident had claimed council tax support (CTS) and housing benefit (HB) from 2013 based on a low income. A referral received from the DWP alleged that the claimant had failed to declare that he was in employment.*

*A joint investigation with the DWP confirmed that claimant has commenced work sometime prior to 2013 and had not declared this to the Council or the DWP and continued claiming benefit based on the circumstances and income declared since 2013. The defendant declined to be interviewed or assist in anyway with the investigation.*

*Overpayments of benefit were calculated as £3,800 HB, £725 CTS and just under £7,000 in DWP welfare benefits.*

*The CPS have accepted this case and claimant is due to appear in court in July 2019 but the defendant failed to attend, was subsequently arrested and brought to court on 9<sup>th</sup> October 2019 where he pleaded guilty to all charges. The defendant received a community penalty and as well as being ordered to repay all the benefits overpaid was ordered pay the prosecution costs.*

- 2.14 The vast majority of the investigation work for SAFS involves housing services, housing benefit and council tax discounts. SAFS works very closely with officers from the Council and the Department for Work and Pensions to ensure that all cases involving welfare benefits 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 3:**

*A referral received from the shared revenue and benefits (R&B) team in April 2019 stated that a Stevenage Borough Council tenant had died in February 2019. The R&B team had received a call from the late tenant's son in April 2019 stating that he had moved in with his father to care for him and requested the council tax was placed in his name.*

*Checks with national systems confirmed that the tenant had passed away, the tenancy being in their sole name and the tenant the only resident at the address for some years.*

*On checking Councils housing systems there was no notification of the tenant's death recorded. A letter, purportedly signed by the deceased tenant and dated February 2019, was not received until March 2019, requesting the tenant's son was added to the household. Correspondence was issued to the tenant in April 2019 requesting ID and proof of residency for the son before he could be added.*

*The son responded to this request claiming he had been residing at address for more than 12 months. Further investigation revealed that the son had in fact been resident and was still liable for council tax at a property in Bracknell.*

*Once the investigation had concluded the son completed a termination form and returned the keys. Once recovered the three bedroom house property was rented to a family who had previously been waiting on the housing register.*

- 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 one grant applications has been investigated 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.
- 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 made use of the county wide 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 £90,000 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
2,080	316	161	1919	£184,211

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 9<sup>th</sup> 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](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 *Stevenage Borough 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.

**2.5 FTE**

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

**2.5 FTE**

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

**£142,000**

- 7 Total number of fraud cases investigated.

## **95 Cases investigated and closed in year**

4.4 In addition, the Code recommends that local authorities publish the following (*for Stevenage Borough 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.

**45**

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

**£120,000 of fraud losses & £102,000 of fraud savings identified in year (a further £184,000 in savings was identified through the NFI and & 90,000 from a review of council tax liability).**