



Report to:	Audit & Corporate Governance Committee 29th July 2021
Lead Cabinet Member:	John Williams
Lead Officer:	Peter Maddock

Annual Fraud Report 20/21

Executive Summary

1. South Cambridgeshire District Council is responsible for administering council tax support of £7,197,000, council tax disregards and discounts valued at £11,574,000.
2. The Authority manages 5,459 properties in its Housing Revenue Account valued at £1,370,952,000 and via its wholly owned subsidiary Ermine Street Housing 465 properties valued at £ 90,252,000 on the open market, and contracts valued at approximately £17 million per annum.
3. In January 2020, a Corporate Fraud Team was formed to align existing services and coordinate the approach to preventing and detecting fraud, bribery, and corruption across South Cambridgeshire. This centralised team enables the Council to focus its preventative and investigative resource to tackle different types of fraud that may occur against South Cambridgeshire District Council.
4. The Corporate Fraud function aims to develop a robust counter fraud strategy and deliver activities to protect council finances and services from abuse, through education, prevention, and remedial action.
5. This report provides an account of counter fraud related activity undertaken between 1 April 2020 – 31 March 2021 by Fraud Investigation Services, excluding the work undertaken by Internal Audit Shared Services.
6. It provides information and assurance, to the committee, relating to the work undertaken during the pandemic to deliver a centralised corporate service and to secure assets and prevent fraud.

Recommendations

7. **It is recommended that the committee:**
 - i. **Considers the Annual Fraud Report as part of the framework of assurance to support the Annual Governance Statement;**
 - ii. **Recommend that Cabinet adopt the fraud strategy attached at appendix A;**

- iii. **Continues their support in embedding a culture of zero tolerance and high levels of awareness regarding fraud and corruption or irregularity.**
- iv. **Acknowledges and supports good Governance in the fight against fraud;**
- v. **Supports the work of the centralised corporate fraud function in embedding an anti-fraud culture;**
- vi. **Supports new initiatives to combat and prevent fraud across the district.**

Reasons for Recommendations

8. In the current economic climate, there is an increased focus being placed on local government to protect public funds. The authority is an attractive target for fraudsters and is vulnerable to acts of bribery and/or corruption or irregularity. The pandemic has broadened the scope and demand for anti-fraud services. Delivery of Central Government support packages and financial pressures have heightened incentive and risk of abuse whilst resources are directed at delivering support packages at speed.
9. Prior to the Senior Management restructure, investigative work was undertaken and managed in departmental silos; operational practices and professional training varied, and details of investigations were kept in separate systems. Work is being undertaken to liaise with departments on our future approach to combat fraud and error and transform how we deliver the service.
10. A new corporate structure is in place with the primary purpose to continue to ensure South Cambridgeshire District Council has the resources and capability to:
 - Protect the public purse.
 - Work with stakeholders across the business to support the development and delivery of a counter fraud strategy specific to South Cambridgeshire.
 - Provide education and fraud awareness training to staff, elected members, and the public.
 - Raise awareness of the reporting mechanisms where there is suspicion of fraud, bribery, and/or corruption.
 - Maintain a live corporate fraud risk assessment informing the authorities risk register, risk owners and monitor if risk falls within 'risk appetite'.
 - Influence an anti-fraud culture.
 - Communicate scams to the general public and council staff.
 - Conduct and support ongoing prevention work.
 - Successfully investigate fraud to a standard capable of securing sanctions and protecting reputation and assets pecuniary or physical, and:
 - Develop professional standards.

Details

11. The Fighting Fraud and Corruption Locally plan (FFCL) broadly identifies five areas to focus activities around.

Govern – *Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.*

12. Leadership Team continue to be aware and accept that anti-fraud and corruption measures start with them. The Corporate Anti-Fraud team provide an important advisory and guiding role, supporting services to take ownership of their processes and control measures in place to combat fraud, but cannot assume responsibility for operational anti-fraud controls within services and systems. The service supports the Chief Finance Officers responsibility to safeguard council assets under section 151 of the Local Government Act 1974.

Acknowledge – *Acknowledge and understand fraud risks and commit support and resource to tackling fraud in order to maintain a robust anti-fraud response.*

13. Fraud cannot be eliminated from systems and procedures; control measures help to ensure that risk of fraud is in line with our 'risk appetite'. Understanding risk assists to reduce instances as far as possible. Workshops have been taking place to discuss fraud risk within service areas and have included fraud training. The team is committed to raising awareness of fraud throughout the business and to embedding an anti-fraud culture through engagement with stakeholders and improved accessibility to trained support and services.

Prevent – *Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes, and developing a more effective anti-fraud culture.*

14. Prevention work is key to protecting services, it is widely recognised that 'prevention is better than cure'. Corporate fraud work with a range of agencies and departments to prevent and detect fraud. Participating to review data matches which identify fraud and error in council services. Data matching exists within internal systems for onward reporting, for example VEPS (Verification of Earnings and Pensions – Her Majesty's Revenues and Customs) information is matched into benefit claim systems. The National Fraud Initiative produces an annual set of matches which highlight possible fraud and error by matching internal data sets against external agency data.
15. The service is committed to undertaking a review of the current case management systems in place to record information with a view to identifying where current systems can be modified to produce automated information and with a view to considering procuring systems which may improve internal data matching quality and provide future opportunity to match on a commercial basis. It is anticipated this exercise will take place within the next 12-18 months.
16. A recommendation to conduct a corporate fraud risk assessment across the businesses services was agreed by Leadership Team on 12 July 2020 and has commenced. The project relies on stakeholder engagement to identify specific, current and emerging fraud risks. It is intended that this document will remain live and contributors will be encouraged to revisit the document to reflect any operational or procedural changes which may impact upon fraud risk and control measures. Access to the document will be made available through our Corporate Fraud resources tile on Insite to improve accessibility to staff across the business.
17. The exercise has identified areas where closer working with services could help to enhance processes, for example, insurance claims made against the authority and right to buy applications. Work has commenced in both areas to review processes and make recommendations. It is intended that Corporate Fraud will verify right to buy applications in the financial year 2021/22 and conduct unannounced visits to dwellings to verify information with prospective purchasers. The presence of counter fraud activity, within the community, is essential to prevention efforts.

18. Risk assessment will inform decisions about the future approach to prevention and detection of fraud, bribery and corruption. Workshops include general education around fraud awareness and more detailed consideration of risks, faced by services, at management and operational levels. Identifying priority risks will help to direct resources to those areas most vulnerable to loss or abuse and challenge staff to review processes from a counter fraud perspective.
19. Risk assessment will highlight work to be done around processes which need strengthening, from abuse, and identify opportunities to improve control measures through design. The exercise will identify 'risk owners' and if risks are in line with the authorities 'risk appetite'. The exercise requires stakeholders to consider current control measures, at inception stage, to determine if they are currently adequate or require service management review.

Pursue – Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

20. Remedial action is integral to the organisation's effort to combat fraud. This may involve civil or criminal sanctions and publicising some actions as a deterrent to those who may consider fraud as an option in response to social and financial pressures. It is acknowledged that 'naming and shaming' is not the primary purpose of the exercise and the suitability of communications is given consideration prior to release.
21. Publication gives assurance to the broader community that South Cambridgeshire District Council takes its commitment to the protection of public funds seriously; providing value for money by ensuring funds are not misdirected by fraud.
22. Innovative ways to connect and communicate within communities are currently being considered further. For example, advertising on properties which have been recovered as the result of successful investigative work containing information to encourage the community to report fraud. Reframing remedial work within communities by publishing 'good news' stories and key handovers to those in genuine need. The service intends to nominate a member to act as Fraud Champion and to be involved in this work.

Protect – Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community and local resources.

23. South Cambridgeshire District Council has a dedicated Corporate Counter Fraud service as part of its commitment to protect scarce resources and public funds. At the time of writing this report the Service only had one qualified Counter Fraud Specialist. Currently the service has supported two officers to obtain industry accredited qualifications. The service was understaffed throughout the last financial year but has successfully recruited to the Intelligence Officer post and continues to liaise with partner agencies to deliver investigatory services.
24. Work has commenced training managers and colleagues, as part of the corporate fraud risk assessment process, around emerging trends including risks around remote working. Human Resources continue to administer mandatory anti-fraud training and education to managers around successful remote working. New HR

systems have been put in place and it is anticipated new systems will help to identify and mitigate fraud risks around HR processes.

25. Thirty-eight right to buy applications were received in the financial year 2020/21. All Right to Buy applications were verified in the financial year 2020/21 as part of prevention work. Achievable discounts have been raised to £84,600, which makes the incentive to commit fraud high. In the financial year 2021/22 Corporate Fraud aims to verify all applications and put in enhanced measures to identify, prevent and detect fraud by conducting unannounced visits to applicants. Documentation relating to Right to Buy applications has been reviewed and recommendations made have been accepted to adjust application forms.
26. A three-month pilot scheme of internal 'taxi' verification checks was conducted between June and August 2020. Internal systems were checked to verify information given on licence applications against benefits, council tax, electoral register and housing systems. Forty-eight applications were verified, thirteen matched to internal information systems which were checked and found no inaccuracies.
27. False declarations on applications can act as an early indicator that the applicant may not be considered 'fit and proper' for the purposes of the Local Government (Miscellaneous Provisions) Act 1976, s.51. Further discussion is taking place to review if the exercise adds value to existing processes by highlighting inaccuracies at inception more quickly than biannual data matching exercises. The practice of internal verification also represents joined up departmental working and best use of internal information.
28. Corporate fraud has engaged with the officer responsible for overseeing insurance claims made against the authority. Partnership work has commenced to provide assurance that claims made against the authority, are accurate. Recommendations have been made to review documentation used as part of corporate processes prior to the claim stage.
29. Corporate Fraud is working with departments to identify and highlight the existing work being undertaken to protect assets and resources within corporate sections by officers of the authority. Officers continue to highlight information within systems which is contradictory. i.e. claims value against declared income.

Insurance Case Study

A decant from a home requiring maintenance resulted in excess furniture being put into a container provided by a contractor for storage. The work took longer than estimated and some damage occurred to the stored furniture by way of mould, as a result of it being stored inadequately for the unexpected time frame.

A claim for items within the container was submitted, high values were put on some of the items. The opinion of council officers at the time was they wanted to settle as this was a difficult tenant, with whom they had a turbulent relationship.

An offer was made to the family of £5,500.00 in 2020. The family came back and rejected this offer and were asking for that payment and further payments from the council directly. A spurious email had been submitted by way of proof of purchase and further enquiries revealed that the initial information given by the claimant was false.

Further work was undertaken with a claims handler and council officers resulting in the claimant reviewing their initial claim.

This resulted in a reduction of the offer to approx. £250.00.

As a result of a collaborative approach from council officers both in insurance and housing services, Zurich considered this as a potentially fraudulent claim. With the insistence from the insurance officer that a loss adjuster visit the address, it resulted in the claimant hurriedly removing the sofa. With no further evidence of its origin or value the offer was withdrawn. This claim has now been closed by our insurer and no payments have been made.

30. The service is developing a 'resources' section on the intranet containing useful information around reporting mechanisms and types of fraud to support staff awareness and accessibility to services and support.
31. During the pandemic communications relating to fraud risk and 'scams' have been communicated to stakeholders, members of the public and businesses to help protect against fraud attacks. Communications have been distributed on the basis that they have met qualifying criteria to ensure reliability by independent Fraud Experts.
32. In response to the pandemic, information was communicated with businesses, staff and the public around protection. Businesses were advised of what they could expect from the authority around the administration process of grants and resources were made available, through communications, to the general public on how to report fraud and protect against fraud. Internal recommendations were made to those responsible for management of sheltered housing staff to protect vulnerable groups and general advice has been added to a resources page to help staff identify instances of fraud.

Reactive Fraud Work

33. Operational activity has been restricted due to the public health crisis however, opportunity has arisen to benchmark the current service, address capacity and capability issues, conduct fraud risk assessment and to develop a counter fraud strategy to protect public funds. Due to staff absence and progression capacity was reduced significantly for the third and fourth financial quarter. Whilst this has continued in the first quarter it is being addressed.

Corporate Investigations

34. Investigation of cases which relate to employee fraud or third-party fraud, falling outside of a specific service area, were recorded as one in the period of 2020/21. The enquiry is live at this time and therefore details cannot be published within the report. An external agency is acting on behalf of the authority in this matter.

Council Tax Support Investigations

35. A summary of the Council Tax Support workload for the period of 6th April 2020 to 5th April 2021 or to date is shown below.

Total number of referrals	49
Accepted for investigation	35
Ongoing investigations at 31 st March 2021	25

A summary of referrals not pursued for investigation is shown in the table below.

Details	2020/21
Poor intelligence	
Referred to external agency including Department for Works and Pensions, National Crime Agency, National Investigation Service, Her Majesty's Revenues and customs, Trading Standards etc.	
No effect on entitlement	
Preliminary investigation provided no evidence of fraud	
Uneconomical to pursue – less than £500	5
Did not Score for investigation	9
[Reports are accepted for investigation based on risk and information available i.e. there is realistic expectation of being able to successfully prove the offence].	
Local Authority Error	
Outcome	
Warning letter issued to claimant	1

Council Tax	2020/21
Council Tax liability fraud including council tax discounts.	
Total number of referrals	2
Accepted for investigation	1
Ongoing investigations at 31 st March 2021	0

A summary of referrals not pursued for investigation is shown in the table below.

Details	2020/21
Poor intelligence	0
Local Authority Error	0
No effect on entitlement	0
No discount present	0
Preliminary investigation provided no evidence of fraud	0
Did not meet the requirement for investigation based on risk	1

Outcome	
Warning letter issued	1
11 cases had an identified loss attached to them equating to	£21, 382.14
Outstanding cases with unknown value	25

Non-Domestic Rates – Grant Fraud

Figures relate to reported fraud cases which failed Internal Audit post verification checks.

	2020/21
Total number of referrals	19

Accepted for investigation	18
Ongoing investigations at 31 st March 2021	13

Outcome

No evidence of fraud found	4
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Details

Poor intelligence	2020/21
	1

36. The majority of referrals were accepted for further enquiries to be made to support post assurance work. One case was referred to the National Investigation Service (NATIS) for further consideration, however it was rejected on the view that there was insufficient evidence to support a criminal case. An estimated saving of £15,000 is recorded due to the refusal of subsequent grant applications following post assurance checks.
37. Information does not include any participation in verification work lead by internal audit relating to design of initial documents and participation in verifying irregularities.

Housing Tenancy Fraud

38. A summary of the Housing tenancy Fraud workload for the period of 1st April 2020 to 31st March 2021 or to date is shown below.

	2020/21
Total number of referrals	7
Accepted for investigation	6
Ongoing investigations at 31 st March 2021	6

A summary of referrals not pursued for investigation is shown in the table below.

Details

	2020/21
Poor intelligence	0
Preliminary investigation provided no evidence of fraud	0
Raised in Error	1
No effect on eligibility	0
Did not meet the requirement for investigation based on risk	0

39. National notional figures are used to give a quantitative measure relating to estimated cost of housing fraud dependent upon type. CIPFA values for the relevant financial year have been applied as value of potential loss. The figure attached to the 7 reports of housing fraud, by type, equate to £519,000.
40. Comparative data collected relating to the number of cases resolved within (2019/2020) previous financial year was used to identify the impact of the pandemic on operational activity in 2020/2021. 80% of cases received in the previous financial year were closed compared to only 42% during the pandemic. It is worth noting that there was an increase in workload by 22% and the service was under resourced due to absence and staff turnover for the third quarter in 2020/2021 with two posts vacant out of three officers in post.
41. The pandemic presented challenges for the service in the last financial year. Operational activity was suspended to stop the spread of the CV19 virus around the

district, resources were redeployed from the service as part of the authorities response to the crisis, the judicial system was backlogged and additional proportionality considerations were necessary to balance remedial action against the overriding commitment to protect public health.

42. During this time work was undertaken on the pro-active side to raise the profile of corporate fraud by creating accessible learning resources, developing a strategy, review existing policy statements and supplementary guidance, undertake internal training and to commence the corporate fraud risk assessment.

Fraud Strategy

43. Attached at appendix A is the recently formulate Draft Fraud Strategy. The document is intended to act as a framework within which the Corporate Fraud team will operate.
44. The Committee within its terms of reference have a role in monitoring the strategy though the adoption of it is for Cabinet. The Committee are asked to comment on the strategy and recommend to Cabinet its formal adoption.

Options

45. To support ongoing activities necessary to achieve the strategic vision.
46. To support overarching objectives set out in the Fighting Fraud Locally Plan and align with South Cambridgeshire's Values and commitment to protect public assets and services from abuse by;
 - Developing and maintaining a culture in which fraud and corruption are unacceptable
 - Understanding the harm that fraud can do in the community
 - Understanding our fraud risks
 - Preventing fraud more effectivity
 - Using technology to improve our response
 - Sharing information and resources more effectively
 - Better detect fraud loss
 - Bring fraudsters to account more quickly and efficiently
 - Improve the recovery of losses
 - Protect those at risk.

Alignment with Council Priorities

Growing Local Business and economies

47. Fraud and error limits resources available to support growth and the local economy. Where funds or resources are diverted away from those that need them the most it causes loss and disadvantage to those in genuine need.

Financial

48. After consulting with the section 151 Officer allowance has been made in the budget for the procurement of a new case management system. Fraud and error can have a significant financial impact upon resources and misdirect resources from those in genuine need.

Risks/Opportunities

49. After consulting with accountancy, it has been agreed that information contained within the Corporate Fraud Risk assessment will be made available for migration into the 4 risk database.
50. Procurement of a new case management facility may provide opportunity for commercial data matching exercises.

Equality and Diversity

51. Sanctions are imposed on the basis that any case that satisfies the Public Interest test to prosecute. Consideration is given to individual merits of the case and mitigation given as part of defence to ensure proportionality in decision making. Division of duties provides assurance to the fairness of decisions made and provides transparency.

Alignment with Council Priority Areas

Housing that is truly affordable for everyone to live in

52. Tenancy Fraud is categorised as a major risk facing all Local Authorities. By protecting assets from abuse those properties that are misdirected can be recovered and put back into the council stock.

Background Papers

[Fighting Fraud Corruption Locally Strategy 2020 | Cifas](#)

CIPFA code on Practice on Managing the risk of fraud and corruption and Managing Financial Crime

[CIPFA Fraud and Corruption Tracker National Report 2020 \(2\).pdf](#)

[Fraud in Emergency Management and Recovery 10Feb.pdf \(publishing.service.gov.uk\)](#)

[Government Counter Fraud Standard Report - Updated June 2020 \(publishing.service.gov.uk\)](#)

Appendices

Appendix A: Fraud Strategy

Appendix B: Scoring Fraud Reports Desk Aide

Type of Fraud Suspected	Choose One	Capital	6
		Living Together - partner named	5
		Living Together - partner not named	2
		Undeclared Work - employer named	10
		Undeclared Work - employer not named	4
		Non-dependants - named	5
		Non-dependants - not named	1
		Non-residency - alternative address known	25
		Non-residency - alternative address not known	10
		Tenancy contrived/non-commercial	4
Undeclared income/pension	10		
Declared Income	Choose One	DWP Benefits	10
		Working or Self Employed	10
		State or Private Pension	6
Household	Choose One	Single Person	8
		Partner/Married/Civil Partner	10
Referral Quality	Choose all that apply	Times of movements	10
		Vehicle descriptions	5
		Vehicle index numbers	10
		Descriptions of people	4
		Website address/details	10
Informant	Choose One	Anonymous	5
		Named Informant	10
		SCDC staff	11
		DWP FPA 2 or 3	30
Tenure Type	Choose One	Council Tenant	10
		Private Tenant	10
		Owner Occupier	6
Overpayment/ corroboration	Choose all that apply	Overpayment >£750 already calculated	50
		LOCTA Search Corroborates	10
		Other reliable corroboration	10

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