

AUDIT COMMITTEE

24th November 2020

**Subject: Counter Fraud & Investigation Annual Report 2019/20 and
Counter Fraud Plan and Strategy 2020/21**

1. Purpose of Report

This report outlines the performance of the team over the last year as well as proposes the new Counter Fraud strategy and Proactive Work Plan to tackle fraud for the council in 2020/21.

Appendix A gives a detailed report of the work carried out by CFI and shows the Value for Money comparison that has been asked for in previous years.

2. Counter Fraud Proactive Work Plans

Appendix B outlines the deliverables of the 2019/20 Counter Fraud Proactive Work Plan. There is **one** item that was not completed this year as the scope of the project raised further ICT concerns and has now been continued into 2020/21 for completion. This will now include a Cyber Incident Response Policy being completed by the in-house Digital and Cyber Crime Unit within CFI.

Appendix C outlines the planned delivery of the work plan for 2020/21. The progress of which will be reported to the committee within the quarterly updates given throughout the year, although at this time the dates of these committee meetings have not been finalised.

The work programme is a working document and if during the year changes or additions to the plan are proposed between the CFI and the Section 151 Officer, these will be brought back to the Committee for approval.

3. Investigations

CFI main aim is to deliver investigations into incidents of suspected fraud or other economic crime for the council and the statistics below are headline figures for 2019/20 and of which the committee should be aware of:

- 26 reports of suspected fraud have been received
- 8 of those cases have been closed as 'No Fraud or No Further Action'
- 6 sanctions have been delivered in cases of proven fraud
- Detected £149,900 in proven cases of fraud

The new Counter Fraud Hub has been up and running since January 2020 and we had an increase in our presence and referrals. It has also led to links opening up between the Counter Fraud Team and the on-site police teams.

The Counter Fraud team is also moving to deliver training to staff in particular areas. This includes housing, procurement as well as elected members.

Towards the end of the year CFI was unable to conduct its 'business as usual' approach to counter fraud as many work activities were halted by the Pandemic. This will have a continued effect on work being carried out in 2020/21, however the scale of this is currently unknown.

4. Contribution to Council's Aims and Priorities

Work undertaken to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities.

5. Implications

Financial Implications

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

Any financial implications arising from identifying and managing the fraud risk will be considered through the normal financial management processes.

Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

Legal Implications

The Accounts and Audit Regulations 2015 Section 3 requires that:

The relevant authority must ensure that it has a sound system of internal control which:

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

The work of the Directorate contributes to the delivery of this.

People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

Property Implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

6. Risk Assessment

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

A closer working relationship is being sort with the internal audit team to ensure that any overlapping areas of concern can be detected early and corroborative working can be utilised. To assist with this, CFI will produce monthly reports to the Section 151 Officer and the Head of Audit detailing the investigations of CFI and the appropriate risk area.

It is also the hope of the CFI that a return in monthly reporting will be completed by the internal audit team, identifying the current audits taking place and if any concerns are being identified. This will capture early warnings of risk to the authority and allow officers from the CFI to assess if intervention is required in specific circumstances where criminality may be present.

7. Value for Money

An effective counter fraud and investigation service should save the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

As can be seen from the results already obtained from the CFI actions, actively seeking and identifying criminality allows the authority to gain back money that would have otherwise left the budgets of various service areas of the authority. This in itself is a positive step; however the subsequent message sent to those who seek to abuse the financial stability of the authority is such a deterrent that further 'unmeasured' savings will be made by deterring future criminality against the authority. As can be seen within the detailed Annual Report, Castle Point Borough Council have seen a return of £2.50 on every £1 spent on the CFI team.

Recommendations

The Audit Committee:

- **Notes the performance of the Counter Fraud & Investigation Directorate for the year 2019/20**
- **Approves the Proposed Counter Fraud Proactive Work Plan for 2020/21**

Background Papers

- Fighting & Corruption Fraud locally, the Local Government Fraud Strategy
- Crowe Whitehall & Clarke Annual Fraud Indicator 2017

Appendices

- Appendix A: Counter Fraud & Investigation Annual Report 2019/20
- Appendix B: Counter Fraud Proactive Work Plan 2019/20
- Appendix C: Proposed Counter Fraud Proactive Work Plan for 2020/21

Report Author: Michael Dineen, Counter Fraud & Investigation.

Counter Fraud & Investigation



See it.



Report it.



Stop it.

Annual Report 2019/20



Foreword

“This report demonstrates the progress the counter fraud service and the council as a whole has made in protecting the public money we are charged with safeguarding.

The value for money achieved this year by having an effective fraud service shows that for every £1.00 spent on the team it has detected £2.50 in fraud for Castle Point Borough Council.

The continuing challenges for the service are to strengthen our controls by using the learning from every identified incident with our Internal Audit Service and continue to use the powers to take redress from those who do defraud the public purse.”

David Kleinberg,
Assistant Director for Counter Fraud, Investigation
and Enforcement

Performance and Partnerships

Our key role is to protect Thurrock and Castle Point Councils from fraud and economic crime and has been since 2014. However, in 2019 we saw growth in our national capability providing expertise to other public bodies to reduce economic crime, which has seen us work with a number of police agencies across the UK and complete work on behalf other local authorities.

This work is provided by our capabilities not present in other public authorities, including:

- Criminal Intelligence Bureau – Strategic Assessment Programmes, helping organisations understand the threats they face and implementing plans to deal with them
- Digital Forensics – providing access to electronic evidence in investigations to international standards (ISO17025)
- Criminal Finances – providing officers, accredited by the National Crime Agency to investigate, restrain and confiscate criminal proceeds, putting them back in to public finance.
- Cyber Resilience – providing advanced technology and expertise to protect public bodies from cyber-crime.

CFI totals since its launch



£35m
Detected



£5.5m
Recovered



63
Public
Bodies
Supported



167
Insider Threats
Apprehended



87
Adult &
Children
Safeguarding
Cases



14
Organised Crime
Groups (OCGs)
Disrupted



12
Police
Forces
Supported

Governance & Accountability

The provision of a national capability brings with it national responsibilities and oversight. Recognising our role and responsibilities, we sought assistance from national bodies to implement an appropriate inspection regime to provide assurance over our work.

The governance structure overseeing the directorate's work is now formed of several independent bodies:

Local & Central Government – Standards & Audit Committees

- Monitoring of Performance against each annual strategy for the bodies to provide assurance of crime risk and organisational governance

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services

- Annual inspection to monitor use of police data by the Directorate and its use in investigative work

Investigatory Powers Commissioner's Office

- Inspections to monitor the use of investigative tactics regulated by the Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2016 and Human Rights Act 1998

Home Office - National Police Information Risk Management Team

- Inspections to monitor the security of data used in the department

Governance & Accountability

College of Policing

- Delivery of Accredited programmes for all the officers in the directorate, including Professionalising Investigation Practice (PIP) & Intelligence Professionalisation Programme (IPP) accreditations

United Kingdom Accreditation Service

- Inspections to monitor our forensics activity for criminal casework

UK Forensic Science Regulator

- The Regulator ensures that the provision of forensic science services by CFI across the criminal justice system is compliant to an appropriate regime of scientific quality standards.

National Crime Agency – Proceeds of Crime Regulator

- CFI uses a number of powers afforded by Parts 2, 5 and 8 of the Proceeds of Crime Act 2002. The National Crime Agency is the regulator of these powers. An inspection in to CFI's use of the powers will take place in July 2018.

UK Accreditation Service

- CFI has its own forensic laboratory to deal with digital media, recovering material from electronic devices for use in criminal or civil outcomes. All laboratories conducting this work in the UK must now be accredited to ISO17025 (International Standards). CFI has worked towards this accreditation for 2 years. This year the final inspection will take place to accredit CFI's laboratory to ISO17025 standards.

Finances

The Counter Fraud & Investigation team is hosted at Thurrock Council and also provides a full Counter Fraud Service to Castle Point Borough Council and other Housing Associations. Other partners can join the service with a financial contribution or with the secondment of its staff into the team.

In some cases where CFI is providing a partner's on-site counter fraud resource CFI will have an 'on-site' budget to maintain the counter fraud & investigation operations for that partner.

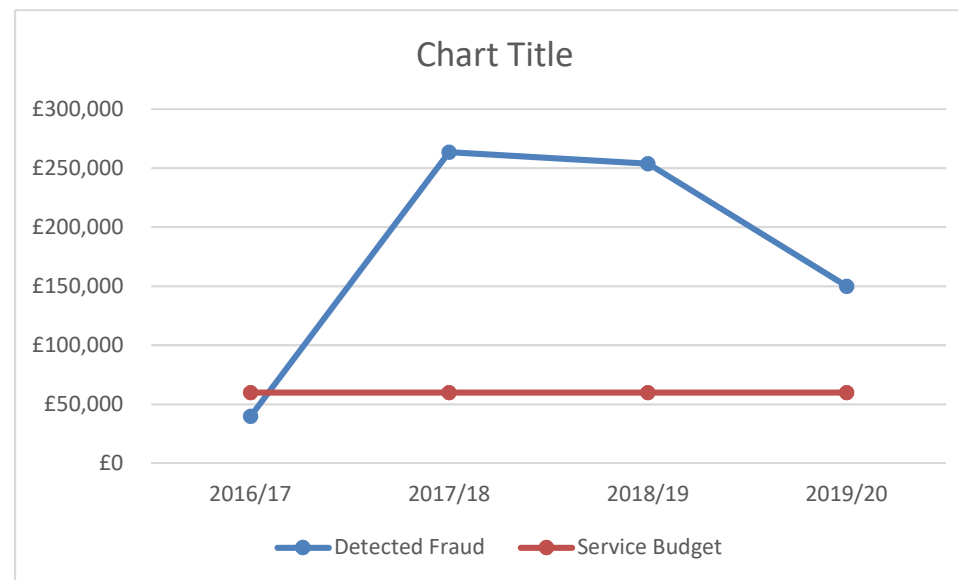
Overall CF&I Budget 2019/20

Contribution		Contributor
£1,144,949		Thurrock Council
£60,000		Castle Point Borough Council
£45,187		Other Partners
Total Budget	£1,250,136	

Finances

Return on Investment (2016-2019) Castle Point Borough Council

	2016/17	2017/18	2018/19	2019/20
Detected Fraud	£40,000	£263,400	£253,800	£149,900
Service Budget	£60,000	£60,000	£60,000	£60,000



Operational Activity

Social Housing Fraud

Last year 36 social housing properties were recovered by the team in 2019/20, although only 3 were for Castle Point Borough Council. Recovering properties lost due to fraud and preventing further housing stock being lost ensures the use of temporary accommodation for those in need is reduced. Had these properties not been recovered then the potential loss to the public purse would have neared £1million.



36
Social Housing
Properties Recovered

Case Example

An allegation was made to CFI stating the occupant of social housing had in fact never lived at the address but had been renting the property out to a number of occupants of a period of nearly five years. The tenant had also made a “right to buy” application which if successful would have provided them a substantial discount. Financial and utilities enquiries were made by investigators which identified the real occupants of the council property, details of the actual property the tenant lived in and rent payments made to the subletting tenant.

A search warrant was obtained and executed at both the council property and the property the tenant was in fact living in. Evidence was seized and the tenant was interviewed under caution. No admissions were made and a criminal case prepared and passed to legal. The tenant was summonsed to court and prior to the trial starting entered guilty pleas to a number of fraud offences. The tenant was sentenced to 2 years imprisonment (suspended), 20 hours of rehabilitation and also 100 hours of unpaid work. The team are now working towards recovering this loss so that it can be returned to the council.

Operational Activity

Insider Threats

The sad reality for any large organisation is the small minority of individuals who seek to take advantage of the trust their employer places in them. It is of some comfort that these cases are extremely rare but where fraud or corruption does occur, CFI has the expertise and experience to resolve any allegations swiftly and professionally reducing the potential impact on frontline service delivery. CFI works closely with business areas in each partner agency as well as its Executive and Human Resources teams in a collaborative approach.

Case Example

CFI undertook an investigation into a member of council staff who was allegedly utilising/stealing council materials for private work, carrying out private work in work time and using a corporate fuel card to obtain fuel and placing this in their own private vehicle. CFID carried analysis of vehicle telematics and mounted a protracted surveillance operation. This resulted in evidence being obtained showing the staff member carrying out private work using Council materials and him purchasing fuel with a corporate fuel card and subsequently placing this in his own vehicle.

As a result of the investigation the member of staff was dismissed by the council.

CFI also investigated a member of staff that was found to be working for a different company whilst declaring to be long term sick for the council. It was established that the employee had been completing work with an agency for 'full-time' hours, whilst continuing to claim sick pay from the council. CFI gained the required evidence, interviewed the member of staff and after consideration by the councils legal services department, the staff member was prosecuted.

This resulted in the staff member being found guilty and subject to compensation and a fine.

Operational Activity

Joint Working

CFI works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence is lawfully shared under statute, including the new Data Protection Act 2018 where crime is suspected.

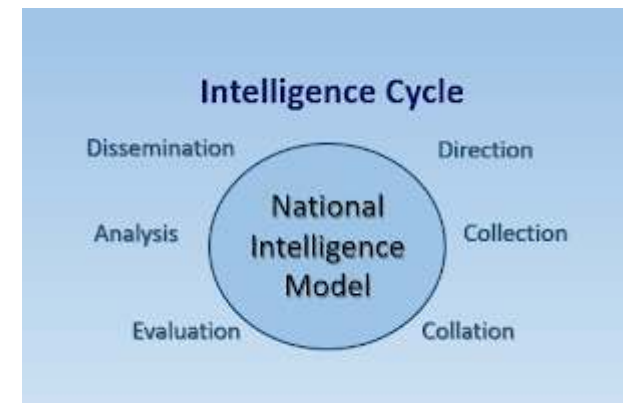
CFI's Criminal Intelligence Bureau works closely with law enforcement to develop intelligence that will assist in protection of the public. Over the last year **48 Alerts** and guidance notes were disseminated by CFI across all our local authority and public partner service areas.

The Criminal Intelligence Bureau has also disseminated **159 Intelligence Reports** to other agencies to assist with their criminal investigations.

CFI's specialist expertise has been used by other local authority services to protect the public including tactical support to other enforcement teams in Planning, Trading Standards and Housing to Human Resources, Procurement and ICT.

In 2019 CFI looked to increase joint working within the intelligence sphere, arranging for a member of staff to be seconded up to NAFN in Manchester, so that both CFI and NAFN could learn from each organisations approach to intelligence support and also establish a working link between the two organisations.

This has resulted in close working relationships with NAFN, and the clear advantages that come from joint working between our two organisations.



Results

The Counter Fraud & Investigation team present all of its cases to Legal Services across the different partners or in some cases to the Crown Prosecution Service where serious criminality is identified. A framework of different sanctions, redress and punishment outcomes are then considered by a Lawyer independently of the CF&I team.

This process includes the use of the Code for Crown Prosecutors in consideration of any criminal litigation.

In 2019/20 the number of fraud cases identified by the team increased, as did the number of sanctions delivered.

The overall fraud detected figure for all partners in **2019/20** was **£3,578,285**

The following tables detail the investigations, sanctions and compliance activities completed by the team across partners for 2019/20. The tables has been developed to show details of all sanction types as opposed to previous reports which only showed prosecutions, value and 'other'. This table enables a clearly understanding of the work conducted by CFID as it relates to solely CFID investigations:

Comparison to Previous Years

The table below shows the number of investigations completed year on year, over the last 5 years

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Number of reports of Fraud	514	302	324	576	349

Comparison to Previous Years (detected fraud)

The table below shows the detected fraud value year on year since the inception of the Counter Fraud & Investigation team.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Detected Fraud Value	£8,768,957	£6,958,808	£5,138,836	£5,497,805	£3,578,285 ¹

The total value of fraud detected from April 2014 to June 2019 is **£33,582,618**

Delivery of the Proactive Work Programme

The work programme implemented across the council was delivered, with one work programme outstanding. This has been moved to the work programme for 2020/21 so that a greater product will be produced. The purpose of the programme is to ensure that there is an enterprise-wide acknowledgement of the risks from fraud and economic crime and the areas most at risk have mechanisms to both prevent and detect suspicious activity. This continues with the theme of the 2020/21 work programme including items covering Training, Creation of New Policy, Establishing cross departmental Working groups and also the complete review of all Counter Fraud Policies held at the Council.

¹ The reduction in detected fraud has been affected by previous years including some work for previous local authorities

Counter Fraud & Investigation



Counter Fraud Pro-Active Work Plan 2019/20



Proactive Work Plan

Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
Council-wide	Launch a new e-Learning Package for Countering Fraud, Bribery, Corruption and Money Laundering.	July – Sep 2019	A new e-learning package has launched and staff are currently completing this via the ICT system	Michael Dineen	September 2019
Council-wide	Develop an early intervention risk matrix for social housing tenants targeted by criminality.	April 2020	This has been created and liaison with the housing management team is due to take place in January.	Philip Butt	February 2020
Council-wide	Cyber-crime risk assessment across the council.	Nov 2019 Due to change anticipated to be a part of 2020/21 workplan	We have received the applications that the local authority use. The delay in the receipt of this list and the sheer scope of the project means that this is to be pushed into next year's plan with an extended task of producing a cyber-incident response policy.	David Nash	Ongoing



Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
Council-wide	Enhancing counter fraud and money laundering controls for Finance & Revenue teams.	Nov 2019	The new money laundering procedure has been implemented.	Michael Dineen	November 2019
Council-wide	Renewed Education & Marketing Campaign for Countering Fraud, Bribery, Corruption and Money Laundering	January 2020	New posters and leaflets will be provided to the authority to highlight the different crime types that are affecting the authority. This is to coincide with the CFID team moving into the mezzanine area.	Nicholas Coker	January 2020
Revenues	Use of Data Matching Solution to compare NNDR data with law enforcement data.	April 2020	This project has been tied with the progress of other local law enforcement co-operation. We have not yet received the data from those organisations.	Nicholas Coker	



Counter Fraud & Investigation



Counter Fraud Pro-Active Work Plan

2020/21



Proactive Work Plan

Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
Council-wide	Counter Fraud Training	December 2020	This is to be given to staff in areas such as Housing, Procurement and ASB. Housing will be the first wave of delegates to receive the training.	Phil Butt	
Council-wide	Review & Update Counter Fraud, Bribery and Corruption Guidance	January 2021	Currently being reviewed	Michael Dineen	
Council-wide	Review & Update Counter Money Laundering Policy	January 2021	Currently being reviewed	Michael Dineen	
Council-wide	Review & Update Whistleblowing Policy	January 2021	Currently being reviewed	Michael Dineen	
Council-wide	Create an NFI working group to maintain the council's proactive response to data matches.	From April 2020	Ongoing with the key contacts being contacted to arrange suitable meetings. However C-19 has hindered this process.	Nick Coker	



Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
Council-wide	Cyber-crime risk assessment across the council.	March 2021	This is being completed, however upon initial assessments against high risk areas, the project's scope has widened that will cover all aspects of ICT. The project now includes CFID, ICT and Capita to cover all aspects.	David Nash	
Council-wide	Provide a Cyber Incident Response Policy	March 2021	Currently linked to the Cyber-crime risk assessment. This new policy will move the council forward in its threat response.	David Nash	
Council-wide	Review the last 5 years of Right to Buy purchases against the restrictions in place.	March 2021	This will seek to establish if property has been sold without the required authority or within time-bared periods.	Nick Coker	
Council-wide	Review the last 5 years of successions against intelligence data.	March 2021	To establish if any data held within our intelligence systems show anomalies with the historic successions.	Nick Coker	

