

## **SLOUGH BOROUGH COUNCIL**

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| <b>Report to:</b>       | Audit and Corporate Governance Committee   |
| <b>Date:</b>            | 19 <sup>th</sup> July 2023   |
| <b>Subject:</b>         | Report of the progress of the Corporate Fraud Team in 2022/23 and Plan for 2023/24   |
| <b>Chief Officer:</b>   | Adele Taylor – Executive Director of Finance and Commercial (S151)   |
| <b>Contact Officer:</b> | Lyn Davies, Counter Fraud Manager  |
| <b>Wards affected:</b>  | All  |
| <b>Exempt:</b>          | No   |
| <b>Appendices:</b>      | Appendix 1 Annual Outcomes Report<br>Appendix 2 Corporate Fraud Team Enquiries Report<br>Appendix 3 ARIS Report 22/23<br>Appendix 4 Corporate Fraud Activity Plan 23/24<br>Appendix 5 AML Process 2023<br>CFT Glossary |

### **1. Purpose of Report**

The Corporate Fraud Team (CFT) supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. Part of proper administration is having effective systems for the prevention and detection of fraud and corruption. The work of the CFT underpins the Council's commitment to a zero-tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

The CFT works closely with SBC departments and its partners to prevent, detect, and investigate allegations of fraud and corruption occurring within and/or against the authority. An Anti-Fraud and Corruption Response Plan has been developed to ensure that members and employees know what action to take should they become aware of or suspect fraud or corruption.

A key feature of 2023/24 will be a closer collaborative approach to risk and governance between Internal Audit (IA) and the CFT. The CFT will provide greater support to IA in identifying and mitigating fraud risks as part of undertaking IA assurance and consultancy reviews. This will lead to the CFT being alerted to fraud risks at the earliest opportunity and supporting IA in developing measures to prevent fraud.

The team works on a range of high-risk areas that include, but are not limited to:

- Social Housing Fraud
- Right to Buy Fraud

- Council Tax Fraud
- Corporate and Internal Fraud
- Financial Investigations; Proceeds of Crime (POCA)
- Social Care

### **Key Highlights**

- All central government post-payment checks in relation to Covid19 business grants complied to government standards justifying the decision to verify every Grant application prior to payment.
- Partnership with Suffolk and Oxford Councils to carry out financial investigations (POCA).
- Successful Financial Investigation resulting in a Confiscation order of £318.1k.

The Fraud Risk Assessment is to be introduced in Financial Year 2023/24.

### **Commissioner Review**

Commissioners are content with the recommendations

### **2. Recommendations**

The members of the Audit and Corporate Governance Committee are recommended to note the contents of this report.

### **3. Background**

The purpose of this report is to provide the members of the Audit and Corporate Governance Committee with an update of the work of the CFT towards preventing, detecting, and investigating fraud against the Council during the operational year 2022/23 and a proposed plan of work for 2023/24.

### **4. Counter Fraud Activity**

The CFT is responsible for undertaking proactive anti-fraud work and investigating fraud committed against the Council by members of the public, Council officers, members, suppliers, or contractors.

Prevention of fraud is the key part of our strategy, and we strive to prevent fraud from being committed at the outset. We seek to prosecute and take action to recover any proceeds of crime. We want our residents, suppliers, and the public to know that fraud perpetrated against Slough Borough Council does not pay.

The CFT is continuing to move from reacting to fraud by investigating cases as referred, to taking a proactive stance to prevent fraud from occurring in the first place. The team aims to build further on this with a view to embedding this ethos to become part of business-as-usual processes across the council.

The CFT has established three key areas of work:

- **Reactive** – work which focuses on investigating and pursuing those who commit fraud against the council. An essential part of the investigation, this work will continue, but increasingly we will work to try to prevent fraud.
- **Proactive** – work which focuses on the identification, deterrence, and prevention of fraud, by further increasing our work with management to build tools into existing processes, develop services to help them undertake checks, increase risk-based monitoring to focus on fraud risks, and to make sure they know where and how to report fraud.
- **Redress** – work which focuses on the maximum recovery of loss including through the proceeds of crime.

The combined work of these areas helps protect the Council's resources for those with a genuine need.

The CFT are currently conducting investigations into 54 cases covering a range of Fraud category types including:

- Social Care
- Right to Buy (RTB)
- Corporate and Internal
- Council Tax Reduction Scheme (CTRS) and Single Person Discount (SPD)

The CFT closed a total of 57 cases for period 1 April 2022 to 31 March 2023.

### **Social Housing Fraud**

The remit of the CFT covers all aspects of social housing fraud, including:

- Sub-letting a property for profit.
- Providing false information in a housing application to gain a tenancy.
- Wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant.
- Failing to use a social housing property as the principal home or abandoning the property (which could lead to squatting).
- Selling keys to a third party.
- Falsely claiming a RTB discount.

Potentially unlawful sub-let properties come from a range of different sources, including housing officers or contractors, the Council's fraud reporting hotline, the fraud referral form on the Council's website and data matching exercises, where housing data is matched electronically with data held by Slough Borough Council and other Councils and data sources. Some referrals come through pro-active exercises, in the form of residency checks undertaken by housing staff in conjunction with the CFT.

In addition to the unlawfully sublet properties, the work undertaken for housing includes reviewing potentially unlawful RTB applications, tenancy successions, false housing applications, and tenants that are alleged not to be using the property as their main residence.

Subletting is a criminal offence under the Prevention of Social Housing Fraud Act 2013 and each case is considered for criminal action.

### **Right to Buy (RTB) Fraud Anti Money Laundering (AML) checks**

CFT investigators work with Housing Management to check RTB applications when the tenant has confirmed an intention to purchase the property by conducting enquiries around eligibility and residency, as well as verifying the details provided to facilitate purchase, this includes an un-notified visit by the CFT as part of the AML checks.

### **Additional Monies Recovered**

During a RTB investigation, evidence may be found that an applicant has fraudulently claimed Housing Benefit, Council Tax Benefit, Council Tax Support, Discretionary Housing Payments, Single Person Discounts, or a combination of two or more of these benefits.

Nationally, the number of RTB applications over the last few years has risen dramatically, and proportionate measures are needed to avoid selling council properties to those whose funds are derived from criminal activity. There have been 101 RTB applications received by the Council between 1 April 2022 and 31 March 2023.

The CFT have been working with the RTB team by providing specific fraud awareness and document verification training and working with Housing Management to conduct residency checks at the point of accepting the RTB. An agreed process is now in place to ensure a consistent approach to AML checks (**See Appendix 5**).

The team have also been working with the RTB team to ensure that funding for property purchases is from legitimate sources. The AML checks protect the Council from receiving funds from unverified and illegitimate sources. The maximum discount on RTB purchase is £84.6k for 2022/23. This figure will increase to £87.2k for any new RTB applications received from 05 April 2023.

### **Council Tax Fraud/Council Tax Reduction Scheme (CTRS)**

Slough Borough Council's Revenues and Benefits Team conduct a review of all properties in the Borough who are receiving a single person discount. They also provide data for the National Fraud Initiative. Any accounts they believe are fraudulent should be referred to CFT for further investigation and legal proceedings where appropriate. Referrals are also received through the online reporting form, and via the telephone fraud hotline which is manned during office hours.

### **Social Care Investigations**

The CFT has started to conduct activity in Social Care. Like Housing, the current economic climate presents the opportunity for high levels of fraud within Social Care. The CFT actively encourage referrals from the Adult Social Care Teams where there are concerns over potential fraud. One case referred after Fraud Awareness training

with ASC has resulted in a fraudulent overpayment of almost £170k. As a result of these cases a Forum has been arranged for 21<sup>st</sup> June 2023 of staff from all departments of ASC, IA and the CFT. The aim is to take a holistic view of the processes that are currently in place, but which are not being utilised as intended.

### **Corporate Fraud Investigations**

Corporate investigations cover all areas of the Council's business and include all investigations originating from within the organisation or externally from individuals, contractors, or suppliers to the Council.

There has been an increase in referral received that relate to employees and therefore all enquiries have taken into consideration issues covered under Council's Code of Conduct for employees, compliance with the Council's Constitution and the Council's Financial Procedure Rules, and other associated rules and regulations, i.e., procurement and contract procedure rules, recruitment issues etc.

The CFT have 4 open cases which involve current or former members of staff and are still open investigations.

### **Proceeds of Crime Act**

The CFT continues to work with partners to recover the proceeds of crime from those who have gained from their unlawful activities and been successfully prosecuted, to send out a clear message that crime does not pay. The Council has 2 accredited financial investigators (AFIs) that have recovered £189k prior to this financial year and £151k since 1<sup>st</sup> April 2022 through the Home Office Asset Recovery Incentivisation Scheme (ARIS). There are currently earmarked reserves of £340k that can be specifically utilised for reducing crime reduction (detection and prevention) initiatives, to benefit the residents of Slough (**see Appendix 3**).

The majority of the CFT POCA cases come from close working relationships with Trading Standards and Planning Enforcement.

In addition, the AFI's also provide their services to other Local Authorities who require assistance, on a case-by-case basis. This service is provided at an agreed hourly rate, with any ARIS payments resulting from the confiscation order obtained in these cases, going to the partner Authority.

### **Fraud Awareness**

The CFT strives to assist employees to learn the importance and impact of fraud, the risks related to processes and policies which would eliminate the risk of fraud, how to recognise indicators of fraud etc.

The CFT has created bespoke training (counter fraud awareness) to highlight SBC's Fraud Policy and how the Counter Fraud Team works with different departments to eliminate and identify fraud and potential fraud risks. The training covers Local Authority fraud and the types of fraud that the CFT have investigated.

Although there is no mandatory training for council employees to undertake fraud awareness training as part of their induction, we will explore with the training team

about the possibility of making this training mandatory every two years. The CFT has agreed to deliver training to several SBC departments and are intending to include Directors, Managers and Members in this training.

The CFT have also delivered bespoke Money Laundering Training, to several departments who deal with credit report finances including the Finance Team, Licensing Department and Council Registrars etc. This training was delivered during the Covid lockdowns and during 2021/22.

The CFT do not have the resources to investigate all allegations of fraud therefore it is essential that we take measures to prevent it. One important method of deterrence is publicity. We publicise successful outcomes, including case studies in articles published to all staff, resident newsletters, and local press. This reminds the Staff and Public that action will be taken if they commit fraud against the Council.

### **Proactive Exercises**

In addition to the reactive and proactive core work detailed above, the CFT have been working on proactive projects which are aimed at both the prevention and detection of fraud through data-matching, the introduction of new technology and the review of procedures, documentation and working practices.

The team have been able to support the Council during the pandemic by providing, support and assistance with document verification and due diligence checks of all Government Business Grant applications prior to payment.

Discussions have been undertaken for the CFT to undertake follow up verification visits on a selection picked at random of Council Tax Reduction Scheme (CTRS) applications. The CFT undertakes this work to prevent and detect instances of fraud. We welcome suggestions from all departments about new methods of prevention.

The CFT is going to request a report in Q2 of 2023/24 to enable the team to identify the 25 recipients of Social Care Direct Payments of highest value. The CFT will then visit to verify their applications.

### **New Homes Bonus**

This is a yearly pro-active to maximise the grant received from Central Government by identifying empty properties that are now occupied. The net number of properties brought back into occupation attracts a grant from Central Government. The CFT did not participate in 2022/23 but will apply for approval for 2023/24.

### **Blue Badge Fraud**

The CFT undertakes work to prevent, detect and investigate instances of Blue Badge fraud and misuse, taking appropriate sanction action where necessary.

For the period 1 April 2022 to 31st March 2023, the following results have been achieved:

- 6 Blue Badges have come into the council's possession.
- 3 Cautions were issued.

- 1 Warning Letter issued.
- 2 cases where no further action was appropriate.

The team will be carrying out a Blue Badge pro-active for the first time since the pandemic on 27<sup>th</sup> April 2023. This will be carried out with the Parking Team's Parking Enforcement Officers in Slough town centre and surrounding roads. We carry this pro-active out to deter the misuse of Blue Badges. During this exercise we are greeted positively by those residents using their Blue Badges correctly. We aim to carry out a minimum of two pro-actives 2023/24.

### **National Fraud Initiative**

The Council participates in the mandatory bi-annual National Fraud Initiative (NFI) run by the Cabinet Office.

In preparation for NFI 2022/23, the CFT contacted all key stakeholders to confirm the data specifications required for the data to be extracted and provided for the exercise and uploaded the data in October 2022. The NFI 2022/23 data matching results were received in the first week of February 2023.

The CFT key NFI contact will allocate reports to the key stakeholders who have agreed to check all matches marked as high priority if the report identifies a significant number of cases, a decision will be made on whether the entire report should be checked.

### **Joint Working Cases**

The CFT refer cases to both internal and external partners to investigate cases that fall under their jurisdiction. Over the last year this has included the Department for Work and Pensions, The Police, Housing Association, and other Local Authorities.

## **5. Implications of the Recommendation**

### **Financial Implications**

All fraud has a detrimental financial impact on the Council. In cases where fraud is identified, recovery action is taken to minimise the impact that such instances cause. This also includes action, where appropriate, to make improvements to the financial administration arrangements within the Council as a result of frauds identified.

### **Legal Implications**

The Council has a duty under S151 of the Local Government Act to make arrangements for the proper administration of their financial affairs. To effectively discharge this duty, these arrangements include Council policies and procedures which protect the public purse through managing the risk of fraud and error. Local authorities have statutory duties to provide services and deliver functions. Within these statutory frameworks, there are powers to investigate and prosecute for offences, as well as a general power to institute proceedings where it is expedient for the promotion or protection of the interests of the inhabitants of the local area.

Effective anti-fraud strategies and systems are an essential part of corporate governance. The Council's policy statement on corporate governance at Part 5.9 of the Council's Constitution refers to these policies in relation to maintaining integrity and having robust internal controls,

### **Risk Management Implications**

The risk of fraud is being managed in a number of ways including:

- Through the Counter Fraud team work on fraud, which is monitored by the Audit and Corporate Governance Committee.
- Through agreed management action taken in response to fraud investigations and/or proactive reviews.

### **Environmental Implications**

There are no direct environmental implications in this report.

### **Equality Implications**

Section 149 of the Equality Act 2010 imposes a legal duty on the Council to have due regard to three specified matters in the exercise of their functions:

- Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The 'protected characteristics' covered by section 149 are race, gender, disability, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment. The duty to have due regard to the need to eliminate discrimination also covers marriage and civil partnership.

The Council acting in its role as Prosecutor must be fair, independent, and objective. Views about the ethnic or national origin, gender, disability, age, religion or belief, political views, sexual orientation, or gender identity of the suspect, victim or any witness must not influence the Council's decisions.

