

23 February 2023		ITEM: 7
Standards & Audit Committee		
Counter Fraud & Investigation Quarterly Update (Q3 Oct-Dec)		
Wards and communities affected: All	Key Decision: N/A	
Report of: Michael Dineen, Assistant Director for Investigation, Enforcement & Community Safety		
Accountable Assistant Director: Michael Dineen, Assistant Director for Investigation, Enforcement & Community Safety		
Accountable Director: Acting Director, Julie Nelder, Public Realm		
This report is Public		

Executive Summary

The Counter Fraud & Investigation (CFI) service is responsible for the prevention, detection and deterrence of all instances of alleged economic crime affecting the authority including: allegations of fraud, theft, corruption, bribery and money laundering as well as offences concerning social housing.

This report outlines the performance of the CFI team over the reporting quarter (Q3) for Thurrock Council.

1. Recommendation

1.1 The Standards and Audit Committee comments on the performance of the Counter Fraud & Investigation Department.

2. Introduction & Background

2.1 The council's Counter Fraud team is responsible for delivering the corporate counter fraud programme which includes proactive work to enhance the council's controls as well as respond to intelligence from that proactive work and information from other sources.

3. Performance v Finance (VfM)

3.1 CFI receives reports about suspected fraud from the public, government and law enforcement partners, internal referral mechanisms and proactive

operations. The figures show the performance of the department for Quarter 3 (Q3) of 2022/23.

- 3 reports of suspected fraud have been received
- 7 Investigations have been closed as 'no fraud'
- 4 sanctions have been delivered in cases of proven fraud
- 1 Social housing property has been recovered this quarter
- 107 active investigations are currently being conducted

3.2 The CFI team has seen a reduction in staffing numbers after the separation of NATIS and the CFI functions of Thurrock Council. There are currently two agency workers that make up the CFI team, with a proposed plan to recruit full-time staff being considered, however due to the S.114 notice and the new expenditure control processes, this will be subject to further scrutiny. There is expected to be dips in performance data compared to last year whilst this takes place, however with a clear strategy to integrate other areas of investigation and enforcement, it is envisaged that greater cohesion will take place between departments and the investigation teams moving forward, which will have a positive impact on not only referrals but detections and savings.

3.3 The counter fraud function receives funding from the Housing Revenue Account (HRA) to conduct housing investigations and this includes offences under the Protection of Social Housing Fraud Act, which has made it a criminal offence to sub-let or abandon your social housing property without notifying the local authority in question. When offences like this are identified, individuals are dealt with as per legislation and the priority is the return of social housing through recovery to the authorities housing stock. For every property that is recovered and returned to the housing stock from those that do not need, live in or qualify for them, £23,500 is, on average, saved by other council departments in various costs that have been established and agreed through government engagement. These totals are the sums all local authorities utilise when reporting, any deviation from these figures must be fully accounted for in full as they do not fall under the agreed governmental savings.

3.4 The CFI team has recovered one property in the last quarter; however, this number will increase for Q4 subject to ongoing work by the current CFI staff, the proposed recruitment for FT staff as well as a clear strategy being in place for the current staff. The CFI has recovered 2 social housing properties in the first 3 quarters of 2022/23 totalling a saving of £47,000 for the council as well as completing 7 separate sanctions, with a detected crime value of £192,300.

3.5 When looked at against the expenditure of the team, so far in 2022/23 (end of Q3) the CFI had used £41,578 of the available budget and looked at against the detected fraud, it means that the CFI has detected £4.62 of fraud per £1 spent. The CFI has also saved the council £1.13 for every £1 the CFI has spent. These two areas of work show good Value for Money; however, the

CFI hopes to increase the savings VfM ratio as the targeted strategy takes shape and the year draws to a close.

- 3.6 It is only right that it is also disclosed at this time there may be a 're-charge' amount between NATIS and the CFI due to overlapping timeframes, which will encompass the last quarter of the year, this may well affect the ratio between saving:spend, however this will be fully reported within the end of year report that will be presented in July 2023 as per normal reporting timetables.
- 3.7 NATIS remains a ringfenced organisation that is hosted at Thurrock Council. The function of NATIS is directly linked to Government and the Department for Business, Energy and Industrial Strategy (BEIS). All employees within NATIS are seconded into BEIS and are therefore crown servants. This organisation has no bearing on the CFI teams and vice versa.

4. Work Plan for 2022/23

- 4.1 CFI has a programme of proactive work to ensure the council's controls against fraud are robust and effective. That plan was presented and accepted by the Standards and Audit Committee in July 2022. **Appendix 1** sets out the progress made in delivering the Counter Fraud & Investigation Work Plan 2022/23. This included work that would be carried out by NATIS expertise. A resource review was required and a review of the CFI work plan has taken place. As can be seen, some areas of the proposed work can no longer be completed due to the resourcing review, however in those areas that can be completed, work is ongoing. It has been decided that no new work plan items will be added to replace those that have now been pushed into 2023/24 or are not able to be proceeded with. This is for a number of reasons however, the main contributing factors are the proposed recruitment delays and the limited time left to implement any new work stream, instead the current two CFI officers will concentrate on offences against the housing stock and other corporate risks that are identified to the CFI through referrals.
- 4.2 The work programme is a working document and if during the year changes or additions to the plan are proposed between the CFI team and the Section 151 Officer, these will be brought back to the Committee for approval, however as explained, it is not felt appropriate at this time.
- 4.3 The proactive work by the service continues with a focus on delivering training and knowledge across the council, from employees to members The team will be engaging with high-risk areas, such as housing and social care, to ensure all that work within these high-risk areas are aware of the signs of fraud or unlawful behaviour. This is a significant part of the pro-active work plan that can continue to be conducted and worked on.
- 4.4 Closer interaction with Housing and Environment is envisaged for the year to come with specific joint working to target those that prosper from their criminal

activity against the council. This will utilise officers with the appropriate powers from the CFI and share the expertise with others in the council.

5. Reasons for Recommendation

- 5.1 This report provides a detailed update to the Committee on the counter-fraud measures for the Council and how it is reducing fraud under the council's counter-fraud strategy. This is also a recognition of the work being conducted by the CFI team.

6. Consultation (including Overview and Scrutiny, if applicable)

- 6.1 Not applicable.

7. Impact on corporate policies, priorities, performance and community impact

- 7.1 Work undertaken by the CFI team to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities supporting good corporate governance.

8. Implications

8.1 Financial

Implications verified by: **Laura Last**
Senior Management Accountant, Finance

There are no financial implications arising from this report, other than the impact of possible recruitment. Whilst budgeted, this would mean additional costs being incurred which would be required to go through the S114 cost control procedures. There will not be an extra burden on the budgets as the current agency staff employment would cease with the recruitment of full-time staff. This would be funded through the existing income streams.

8.2 Legal

Implications verified by: **Deirdre Collins**
Barrister, Legal Services

The Accounts and Audit (England) Regulations 2015 section 4 (2) require that: The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk."

There may be implications from the Section 114 Notice served on the council for services that legal have not been made aware.

8.3 Diversity and Equality

Implications verified by: **Becky Lee**
Team Manager - Community Development and Equalities

There are no direct diversity implications arising from this report.

8.4 Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder and Impact on Looked After Children

Staffing Implication

Under proposals, the team would continue to have two staff members, but these would change from agency workers to permanent staff. The funding for this employment would come from the current income streams that are in place. This is all subject to the new S114 notice expenditure control processes and review.

9. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

Counter Fraud & Investigation Policy & Strategy – thurrock.gov.uk/fraud
Counter Money Laundering Policy & Strategy – thurrock.gov.uk/fraud
CroweClarkWhitehill Annual Fraud Indicator – crowe.co.uk

10. Appendices to the report

- Appendix 1 – Counter Fraud & Investigation Proactive Work Plan 2022/23

Report Author:

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