

<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> <b>3 March 2022</b>
<b>SUBJECT:</b>	<b>Anti-Fraud Update Report 1<sup>st</sup> April 2021 – 31 March 2022</b>
<b>LEAD OFFICER:</b>	<b>Malcolm Davies, Head of Anti-Fraud, Risk &amp; Insurance</b>
<b>CABINET MEMBER</b>	<b>Councillor Callton Young</b> <b>Cabinet Member for Resources and Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>The work of the Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council's vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law-abiding Borough.</p>	
<b>FINANCIAL SUMMARY:</b>	
<p>The budget provision for the Anti-Fraud service for 2021/22 was £300,000 and the service was delivered within budget.</p>	
<b>FORWARD PLAN KEY DECISION REFERENCE NO: N/A</b>	

**For general release**

<p><b>1. RECOMMENDATIONS</b></p> <p>1.1 The Committee is asked to:</p> <ul style="list-style-type: none"> <li>• Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the year 1 April 2021 – 31 March 2022 and the corresponding period 1 April 2020 – 31 March 2021</li> </ul>
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## 2. EXECUTIVE SUMMARY

- 2.1 This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments 1 April 2021 – 31 March 2022 and a comparison with 2020/21.

## 3. DETAIL

### Performance 1 April 2021 to 31 March 2022

- 3.1 The CAFT comprises 8 staff (7.4 FTEs), including two tenancy and two corporate investigators, an Intelligence Officer, two financial investigators and a team leader position. The CAFT investigates allegations of fraud or corruption which affect the Council's business. In addition, the team generates an income by providing a services to other London Boroughs. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 The team has begun to return to the full range of duties and many of the ways of working it deployed before last year's lockdowns, including visiting residents and businesses and face to face interviewing within the civic centre. Performance targets for the team were reduced slightly from the previous year to reflect a reduced workforce and to ensure they remained SMART but in the event these targets have been met/exceeded.
- 3.3 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below detailing the number of successful outcomes and their value. Table 2 shows a breakdown of *all* cases investigated/closed by the team irrespective of outcome.

Table 1 – Key performance indicators

	20/21 PERFORMANCE	ANNUAL TARGET 21/22	21/22 PERFORMANCE
<b>Successful Outcomes</b>	107	100	119
<b>Identified Overpayments &amp; Savings</b>	£985,107	£850,000	£1,055,620

Table 2 - Breakdown of Total Cases actioned from 1 April 2021– 31st March 2022 compared to 2020/21

2020/21	2021/22
Blue badge 37	Blue badge 19
Corp - mandate fraud 4	Corp. Other 4
Council tax rebate 7	Council tax rebate 21
Covid19 discretionary grant 1	Covid19 additional restriction grant 8
Covid19 hospitality grant 2	Covid19 discretionary grant 4
Covid19 small business grant 6	Covid19 small business grant 15
Financial investigation other 38	Direct payments 1
	Financial investigation other 37

Financial investigation - trading standards 18 Housing application 17 Housing illegal sub-let 1 Housing non-occupation 9 Housing other housing fraud 12 Housing right to buy 3 Housing succession 1 National fraud initiative 2018/19 9 No recourse to public funds 1 Pensions 1 Safeguarding 2 Schools 2 Single person discount fraud 4 Staff - internal misconduct 10	Financial investigation - trading standards 3 Housing application 17 Housing illegal sub-let 18 Housing non-occupation 10 Housing other housing fraud 4 Housing right to buy 6 Housing succession 5 National fraud initiative 2018/19 2 No recourse to public funds 4 Planning 1 Safeguarding 5 Single person discount fraud 4 Staff - internal misconduct 7
<b>Total 185</b>	<b>Total 200</b>

### 3.4 Case Study:

#### **Bank Mandate Fraud Detection and Prevention. £1.3M Fraud Attempt Thwarted.**

In February the Corporate Anti-Fraud Team (CAFT) received a referral from the Accounts Payable team regarding a request to change bank account details for one of our trusted big providers. Outstanding invoices totalled well over £1.3m.

The officer had received an email which on the face of it appeared to come from a trusted supplier and named an officer within their payment team whom she had dealt with many times before. In fact the email was a clever scam which had been spliced onto a real and genuine email trail between the two organisations chasing payment for outstanding invoices. The names of the trusted officers from the supplier had been 'high-jacked' and 'lookie-like' email addresses and telephone numbers had been faked to make it appear genuine.

The LBC officer feared something was wrong due to the wording of the email and urgency by which they required payment and so following the correct Croydon procedures, the officer explained that if the bank accounts had changed they would have to be updated via the Croydon supplier portal. The officer then referred the emails and invoices to CAFT for further investigation.

Immediate action from CAFT Financial Investigators and Corporate Fraud Officers found the following:

- Liaison with the provider's Cyber Security team confirmed the email address was fake and had been created with the wording only very slightly different so as not to be noticed by the email recipient.

- The ‘new’ bank account and company name was checked by the Financial Investigator with the bank in question. There was no trace of the company on national records.
- A call was put in to the ‘trusted’ member of staff to confirm their identity. A few questions quickly identified they were not who they said they were.
- CAFT confirmed with the provider’s Director of Finance that bank accounts had not been changed.

Liaison with the provider’s National Counter Fraud managers enabled them to share the information nationally and with police and other investigators so it could not be used again by the fraudsters.

The initial scrutiny and diligence of the Accounts Payable Officer and swift action by the CAFT team prevented this from becoming a large-scale bank mandate fraud against LBC and is a good example of the risk controls and proactive work of the CAFT in protecting the council from attempted fraud.

#### **4. INVESTIGATIONS**

4.1 Fraud investigations relate to a broad section of service areas within the Councils including:

- Environmental enforcement
- Trading Standards - trademark and rogue trader cases
- Planning – enforcement cases
- Licensing
- Internal cases
- Safeguarding cases
- Business rates evasion by fraud
- Financial investigations

4.2 Due to some recent staff turnover/gaps in the team, some interim anti-fraud management support has been brought in from Lambeth LB’s anti-fraud team to support the Croydon team. This arrangement is working particularly well and builds on previous joint work with Lambeth and is being kept under review.

#### **5. LOCAL GOVERNMENT TRANSPARENCY CODE**

5.1 Members will be aware of the Local Government Transparency Code 2015 which requires Councils to publish data about various areas of their activities. Included in the 2020/21 code is detail on Counter Fraud work, most of this information has always been reported to committee; however below are some additional areas which we are required to make public. The figures detailed below are for the period from 1 April to 31 March 2022:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	6
Total number of employees undertaking investigations and prosecutions relating to fraud	9

Total number of full-time equivalent employees undertaking investigations and prosecutions of fraud	8.4
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	9
Total number of full-time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	8.4

## **6. FINANCIAL AND RISK ASSESSMENTS**

- 6.1 The net budget provision for the anti-fraud service for 2021/22 was £300,000 and the service was delivered within budget.
- 6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Nish Popat, Interim Head of Finance, Resources)

## **7. COMMENTS OF THE SOLICITOR TO THE COUNCIL**

- 7.1 The Head of Litigation and Corporate Law comments on behalf of the interim Director of Legal Services and Deputy Monitoring Officer that the Corporate Director of Resources and Chief Finance Officer has a statutory responsibility under the Local Government Act 1972 section 151 to make arrangements for the proper administration of the Council's financial affairs. This includes the prevention, detection and investigation of fraud and corruption and where appropriate, the prosecution of offenders.
- 7.2 The Council also has a duty under the Crime and Disorder Act 1998 section 17 to do all it can to prevent crime and disorder.
- 7.3 The Anti-Fraud and Corruption Strategy is part of a framework of policies designed to support the Council with complying with these responsibilities to minimise losses due to fraud and corruption. The Strategy cross-references other Council policies and strategies including the Members' Code of Conduct; Officers' Code of Conduct; Whistle-blowing Policy; Financial Regulations, Contract and Tender Regulations and the Nolan Principles of Public Life which also support the Council with its responsibilities to prevent, detect and investigate fraud and corruption.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the interim Director of Law and Governance and Deputy Monitoring Officer)

## **8. HUMAN RESOURCES IMPACT**

- 8.1 There are no immediate human resource considerations arising from this report for LBC employees or staff or workers.

Any impacts arising will be managed under the Council's HR policies and procedures.

(Approved by: Gillian Bevan, Acting Head of HR – Resources and Assistant Chief Executives Office)

**9. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS**

9.1 There are no further considerations in these areas.

**10. EQUALITIES IMPACT ASSESSMENT**

10.1 An initial screening equalities impact assessment has been completed for the Anti-fraud and Corruption Policy. No further action was found to be necessary.

**11. DATA PROTECTION IMPLICATIONS**

**11.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

No, this report is for information only.

**11.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO

No DPIA has been completed as no personal data is used in the report. Any cases studies used do not include personal identifiers such as name and address

(Approved by: Jane West, Corporate Director of Resources & S.151)

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**CONTACT OFFICER: Malcolm Davies (Head of Anti-Fraud, Risk & Insurance)**