

**Public**  
**Key Decision - No**

## **HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title/Subject Matter:** Review of Fraud Investigation Activity 2020-21

**Meeting/Date:** Corporate Governance Committee – 9th June 2021

**Executive Portfolio:** Executive Councillor for Corporate Services

**Report by:** Corporate Fraud Manager

**Ward(s) affected:** All

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### **Executive Summary:**

The Council's Anti-Fraud and Corruption Strategy sets out a requirement that a report shall be submitted on an annual basis to the Corporate Governance Committee detailing the work that has been undertaken by the Corporate Fraud Team (CFT).

During 2020/21 the CFT:

- Were seconded to help with the award of Business Grants.
- Involved in 13 separate Business grant schemes.
- Verified and checked businesses bank accounts and active status to determine eligibility to grant payments
- Assisted in the award of over £50 million pounds worth of grants over the last 14 months

### **Recommendation:**

The Corporate Governance Committee is invited to comment on the contents of this report which details the work that has been undertaken by the Corporate Fraud Team during 2020/2021.

## 1. PURPOSE OF THE REPORT

- 1.1 This report provides a summary of the activity of the Council's Corporate Fraud Team in 2020/2021.

## 2. BACKGROUND

- 2.1 The CFT plays a key role in ensuring that the Council meets its requirements under the Anti-Fraud and Corruption Strategy (AFCS) 2018-2021 by providing a comprehensive fraud service across the whole of the Council. The AFCS sets out the requirement for the Corporate Leadership Team to approve an annual business plan that sets out the priorities for the team. The priorities are based on the level of risk facing specific service areas within HDC and the AFCS.
- 2.2 The team consists of a manager, an investigation officer and an intelligence / data analyst officer.
- 2.3 The CFT's main priorities changed significantly this year with the onset of the Coronavirus pandemic. Following the announcement of financial assistance to businesses by the government the CFT was seconded to assist in this work like so many other teams and services. The main aim was to support our local communities and businesses that had been financially impacted by the pandemic. The government over the last 14 months has brought out around 15 different schemes each with their own eligibility and criteria which has made the delivery of these grants a mammoth and complex procedure for all involved. With each grant there has been guidance requiring checks to be carried out either pre or post payment to address the concern of potential fraud. It was therefore necessary to establish pre and post assurance plans to check claims for each grant.

## 3. ANALYSIS/WORK UNDERTAKEN

- 3.1 This table shows the volume of business support grants paid over the last year and gives an indication of the scale of the work that the CFT had to do in ensuring that grants were only paid to eligible businesses.

Grant Scheme	Number of Businesses	Total Value
BG1 (Small Business Grant /Retail, Health and Leisure Grant)	2366	£ 29,480,000.00
BG2 (Discretionary Business Grants)	220	£ 1,638,500.00
Local Restrictions Support Grant (Nov)	984	£ 1,552,466.00
LRSB (Tier 2 Open)	452	£ 449,763.16
LRSB (Tier 2 Closed)	37	£ 55,438.35
LRSB (Tier 4)	974	£ 551,475.27
LRSB (42 Day Payment)	979	£ 2,327,191.14
LRSB (44 Day Payment)	975	£ 2,432,592.16

Closed Business Lockdown Payment	982	£ 4,665,000.00
Additional Restrictions Grant /Additional Restrictions Grant Expanded	596	£ 3,488,000.00
Restart Grants	957	£ 7,291,393.00
Enhanced Additional Restrictions Grant	22	£ 186,000.00

- 3.2 The sheer volume of applications and number of schemes announced throughout the year has been particularly challenging, especially as each one has had different eligibility and criteria to be met. At one point, the CFT was dealing with four different schemes running at the same time.
- 3.3 The CFT undertook a variety of checks using tools made available from the Cabinet office (Spotlight) and the National Fraud Initiative. This enabled the team to verify that limited companies and sole traders were active by performing checks using Spotlight as well as checking business rates records and conducting bank verification checks with the National Fraud Initiative which confirms that a bank account is associated with that company or individual. For sole traders who could not be verified via Spotlight, checks also involved looking for an online presence as well as checking the insolvency register for the trading name and person name as well as examining bank statements. For some grants an accountant or bookkeeper's letter was required which involved the CFT checking that accountants or bookkeepers were qualified by seeing actual qualifications or verifying membership to one of the professional bodies.
- 3.4 The CFT has been liaising with the National Anti-Fraud Network who advises all local authorities on known fraudulent claims and attempts to claim the grants. This mainly involved the first round of business grants due to the large sums of money involved, either £25K or £10K, depending whether the business was eligible for a Retail, Hospitality and Leisure Grant or Small Business Grant. It was nationally recognised that organised crime gangs were attempting to claim grants by impersonating large national companies. This was made easier as due to lockdown many businesses had little or no staff available to speak to or get hold of. Some of these attempts were very credible and the fraudsters used legitimate company personnel names to make the claims and provided mocked up false bank statements for payments to be credited to. The CFT spotted one such application which had supposedly come from a large national company. Officers had suspicions about the veracity of the document and contacted the Head Office to query it. The financial director was able to confirm that the company had not made any grant applications at all. The bank details provided were not for the bank they used and the email address provided was incorrect. It was later established the fraudsters behind this attempt had sent a number of applications to other authorities. A national alert was put out as a result of our findings, but unfortunately not before they had already been paid £75,000.
- 3.5 The CFT also identified a number of other suspected fraudulent claims made by organised crime gangs and these were handed over to NATIS, the National Investigation Service, appointed by the government to take on these investigations.

- 3.6 The CFT acts as the Single Point of Contact (SPOC) providing the DWP with information regarding Housing Benefit claims. However due to DWP colleagues being seconded to other departments to assist in the high level of Universal Credit applications these requests stopped.
- 3.7 The Corporate Fraud Manager is the Council's Coordinating Officer for the Re Regulatory Investigatory Powers Act which deals with Directed Surveillance and Communications Data requests. It is a requirement of the Council's Covert Surveillance (RIPA) Policy and Procedure that a report is made annually to CGC on any activity undertaken in line with the policy. In 2020/2021 HDC made no applications for Directed Surveillance due to the pandemic.

#### **4. KEY IMPACTS / RISKS**

- 4.1 The pandemic had a significant impact on Council priorities over the past year. This led to the focus of the CFT being re-directed from normal investigation work to playing a vital role in verifying business grant applications to ensure that payments were made correctly to support local businesses but applying a proportionate level of checks to protect the public purse from fraudulent applications.
- 4.2 However, diverting effort and resource to support the business grant process meant there was no resource available to deal with other types of investigation work during this time.

#### **5. WHAT ACTIONS WILL BE TAKEN**

- 5.1 Although a degree of involvement in business grant work will still be required for the foreseeable future, it is hoped that over the next few months, the CFT will be able to re-focus on normal investigation work. But the CFT will also engage with services across the Council to understand any additional risks and potential opportunities for obtaining services fraudulently that may have occurred during the pandemic in order to provide support on reducing those risks and carrying out investigations where appropriate.
- 5.2 A review of casework put on hold during the pandemic will be undertaken to decide how best to proceed and the team will re-engage with local Housing Associations to build on the relationships started prior to the pandemic to do joint working on illegal sub-letting etc.

#### **6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES**

- 6.1 Strategic priority: Becoming a more efficient and effective Council.

#### **7. REASONS FOR THE RECOMMENDED DECISION**

- 7.1 The Anti-Fraud and Corruption Strategy sets out a requirement for an annual report to be submitted to the Corporate Governance Committee on the work of the Corporate Fraud Team during the previous financial year.

## **BACKGROUND PAPERS**

CIPFA Fraud and Corruption Tracker Summary Report 2020

<https://www.cipfa.org/services/counterfraudcentre/fraud-and-corruption-tracker>

## **CONTACT OFFICER**

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