

Counter Fraud – Annual Report 2019/20

1. Introduction

This is the first Counter Fraud Annual Report. It provides details on all the counter fraud activities undertaken within the Council in the 2019/20 financial year.

The annual report covers:

- The results of the National Fraud Initiative - 2018/19
- The work of the Council's Counter Fraud Team over the year
- Details of any reports made under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017)
- Details of any reports made in respect of the Bribery Act 2010
- Items raised under Whistleblowing (the Public Interest Disclosure Act 1998)
- Applications made under the Regulation of Investigatory Powers Act 2000

2. National Fraud Initiative (NFI) – 2018/19 Exercise

The Council is continuing to investigate data matches as part of the 2018/19 National Fraud Initiative (NFI) exercise. The table below shows progress on the matches:

Table 1 2018/19 Exercise

Total Number of Matches	Number of High Risk Matches	Number of Matches Closed as at 6th July 2020	Number of Matches in Progress as at 6th July 2020	Number of matches identifying a Fraud (exc Rechecks)	Number of Matches identifying an error	Financial Outcome (exc Rechecks)
6,161	632	1,637	35	8	283	£40,830

The NFI exercise identified the following errors:

- (a) 274 Blue Badges have been cancelled as a result of comparing Council records to the Department of Work and Pensions deceased data. Although there is no direct financial saving to the Council, the Cabinet Office estimate that this will save £157,550 to reflect lost parking and congestion charge revenue (based on a standard national saving of £575 per badge).
- (b) Six Residents Parking Permits have been cancelled as a result of comparing Council records to the Department of Work and Pensions deceased data. There is no direct financial saving to the Council.
- (c) Eight Housing Benefit claimants had fraudulently failed to declare that they were in receipt of a student loan and had been overpaid by £36,318 (action was currently being pursued to recover this amount).
- (d) Two Housing Benefit claimants had failed to declare other income resulting in an overpayment of £3,893 (action was currently being taken to recover this amount).
- (e) One error was revealed by a comparison of Council Tax Reduction Scheme data to the Payroll (no earnings were declared by an ex-employee). £619 is being recovered.

3. **Counter Fraud Team**

The Counter Fraud Team consisting of 3FTE and based within Revenues, Benefits and Exchequer Services have focussed on :

- Raising fraud awareness
- Preventing fraud
- Detecting fraud
- Understanding emerging fraud risks

Raising Fraud Awareness

The highlights for this stream include ;

- Fraud awareness training for staff
- Poster campaign
- Publicity

Preventing Fraud

The highlights for this stream include ;

- (a) Continuing to provide additional checks for Right to Buy cases
- (b) Continuing to work with Adult Social Care to prevent fraud in supported accommodation
- (c) Working with Derby Homes to undertake pro-active checks to prevent and detect fraud.
- (d) Continuing to host the East Midlands Fraud Group with local partners and agencies to share best practice and identify emerging fraud risks
- (e) Working with Derbyshire Police following identification of a case involving potential money laundering

Detecting and Investigating Fraud

The highlights for this stream include;

- (a) 16 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy) and 8 Right to Buy applications withdrawn
- (b) £2,154,086.63 savings delivered, consisting of £757,918.31 cashable savings and £1,396,168.32 value for money savings. Value for money (VFM) savings includes preventing unnecessary expenditure and loss of future income (Table 2)
- (c) Continuing to provide intelligence to support Modern Slavery and Organised Crime Groups and to support the Rogue Landlord Initiative
- (d) Undertaking joint investigations with DWP
- (f) Currently working with the Councils Financial Investigator
- (g) The Counter Fraud Team have made a service offer to Social Housing partners to assist them with fraud investigation. A positive response has been received which is being progressed.
- (h) Participating in the Council Tax Single Person Discount Review which commenced in September 2019. This has resulted in around 1,500 incorrectly claimed single person discounts being removed from the Council's data base.
- (i) Although only in its infancy during the period this report covers, the team were heavily involved in the design of the business support grant framework and the operational practices that followed.

Understanding Emerging Fraud Risks

In addition to investigating fraud the team is working with the following service areas to minimise their exposure to fraud risks;

- (a) Social care and direct payments
- (b) Homeless team
- (c) Housing Benefits – specifically Supported Accommodation where enhanced rates of Housing Benefit can be claimed

Building on the significant results achieved the Counter Fraud Team has secured additional funding from the Housing Revenue Account to provide an additional investigator for a 2 year period to increase their fraud resilience, particularly in the areas of tenancy and Right to Buy Fraud.

Table 2 - Counter Fraud Team Savings Breakdown 2019/20

Description	Number	VFM Saving* £	Actual Saving/Income £
Council Tax/ NNDR			
Council Tax single person discounts removed			
NFI & non NFI	43	44,836.96	21,208.11
NNDR	7		373,381.19
Local Council Tax Support	38	8177.17 (Weekly amount x21)	24031.85
General change in liability	32		91,422.77
Housing Benefit			
Housing Benefit cancelled / reduced	37	160,784.19 (Weekly amount x 21)	184,944.39
Housing			
Illegal succession, sublet, breach of tenancy	16	744,000** (6 x £46,500)	
Housing Application stopped	5	16,400	
Right to Buy	8	421,970.00 (Value of RTB discount)	
Civil Penalties	899		62,930.00
TOTAL	1085	1,396,168.32	757,918.31

*VFM savings based on guidelines for calculating value associated with fraud according to the Cabinet Office calculations.

** The Cabinet Office calculates tenancy fraud at £93k per property recovered based on a four year average fraud indicated by previous results. Results at Derby indicate the average length of fraud to be two years therefore we have used a prudent value of £46,500 per property recovered.

4 Public Interest Disclosure Act 1998

There were 8 disclosures made under the Council's Whistleblowing policy in 2019/20.

Table 3 : Whistleblowing Disclosures 2019/20

Case Number	Description	Progress/Outcome
20/1	Selling gift sets (including alcohol) allegedly for charity in the workplace and during "work time" which is contrary to the Council's policy.	Investigation complete. There should be no direct sale but can be done by raffle.
20/2	A member of staff was allegedly using their public twitter feed to discuss cases they were working on.	Investigation complete. Nothing found on twitter account that has given management cause for concern.
20/3	Poor conduct and lack of competence shown by a senior manager.	Investigation complete. Management action taken.
20/4	Failure to conform to professional standards.	Investigation complete. No evidence of non-conformance found.
20/5	Concerns raised in connection with processes and procedures being followed within a team.	Investigation complete. Recommendations made to improve procedures.
20/6	An organisation receiving monies from the Council is renting a Council property for a peppercorn rent. Monies not being used as intended.	Investigation complete. No evidence found to support alleged issues around money being given to the organisation not being used as intended.
20/7	Concerns raised about the conduct of a manager towards staff.	Investigation complete. Management to address issues.
20/8	Unauthorised leave taken and exceeded entitlement.	Investigation on-going.

5 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017)

There has been one report of potential Money Laundering made under the Council's Anti-Money Laundering Policy since 1 October 2019. This was notified to the National Crime Agency using their Suspicious Activity Report (SAR) online form.

An individual had registered for business rates, paid an amount of money using the Council's automated service then requested a refund stating they have vacated the premises. The payments made were fraudulent transactions.

6 Bribery Act 2010

There were no reports of suspicions of bribery made under the Council's Anti-Bribery Policy in 2019/20.

7 Regulation of Investigatory Powers Act 2000

The Investigatory Powers Commissioners Office (IPCO) requires each regulatory authority that undertakes surveillance activity to put in place governance arrangements that provide decision makers with oversight in respect of the use of surveillance tactics within the authority specifically, in relation to numbers, type and the integrity of the records system.

The Council is obliged to maintain a central record of all applications made using the RIPA procedures regardless of whether they have been authorised or refused by either of its Authorising/Designated Officers, the National Anti-Fraud Network (NAFN) (in respect of communications data applications) and/or the local magistrates' court. This central record is maintained by Legal Services.

The Council is wholly responsible for the administration and recording of Part II RIPA activity (covert surveillance and the use of covert human intelligence sources). Part I activity (access to communications data) is undertaken, on behalf of all local authorities, by the National Anti-Fraud Network (NAFN). During the 2019/20 financial year, there were two applications for directed surveillance requested and authorised under Part II of RIPA.

Both the authorisation and cancellation of covert surveillance requests are recorded in the Council's central register of authorisations.

It is also worthy of note that in December 2019, the IPCO inspected the Council. Inspections take place usually every two years although the last inspection was in fact in 2016. Other than making two observations about provision of standalone IT equipment for counter-fraud activity, there were no recommendations for improvement arising from the inspection