

Counter Fraud – Annual Report 2021/22

1. Introduction

This is the third annual Counter Fraud Report. It provides details on all the counter fraud activities undertaken within the Council in the 2021/22 financial year.

The annual report covers:

- The National Fraud Initiative - 2020/21
- The work of the Council's Counter Fraud Team over the year
- The Council's continued approach to mitigating the fraud risk associated with the administering of Support Grants on behalf of the Government.
- Review of the Council's counter fraud policies and its overall approach to fraud risks
- 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) – 2020/21 Exercise

In October 2020, the Council submitted data to the Cabinet Office as part of the 2020/21 National Fraud Initiative (NFI) exercise. The table below shows progress on the matches:

Table 1 2020/21 Matches

	Number of Matches	Notes
Housing Benefit	188	
Housing Tenants	598	Includes Right to Buy
Blue Badge	611	
Housing Waiting List	286	
Council Tax Reduction Scheme	991	
Creditors	2195	
Procurement	125	
Payroll	47	
Covid Grants	86	
Total	5,127	

Table 2 Investigation Progress

Total Number of Matches	Number of High Risk Matches	Number of Matches Closed as at 28th June 2022	Number of Matches in Progress as at 28th June 2022	Number of matches identifying a Fraud (exc Rechecks)	Number of Matches identifying an error	Financial Outcome (exc Rechecks)
5,127	465	1,509	50	5	338	£241,556

To date, the NFI exercise has identified the following errors and frauds:

- 3 individuals had failed to declare their student loans when claiming housing benefit (£10,184 was under recovery).
- One parking permit had been obtained fraudulently. The permit has been cancelled and there are no financial implications.
- Pension details had not been declared in one council tax reduction application resulting in an overpayment of £764 that was under recovery.
- Benefit had been paid in error to a deceased individual for 9 weeks. £884 is currently under recovery.
- 335 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 £192,625 to reflect lost parking and congestion charge revenue (based on a standard national saving of £575 per badge).
- 1 residents parking permit was cancelled as a result of comparison to Benefits Agency deceased data.
- A duplicate creditor payment was made to a company which has since been recovered (£6,065).

3. Counter Fraud Team

The Counter Fraud Team consisting of 4.4FTE and based within Revenues, Benefits and Exchequer Services have focused on:

- Delivering the Covid-19 Business Support Grant scheme
- Raising fraud awareness
- Preventing fraud
- Detecting fraud
- Understanding emerging fraud risks

Raising Fraud Awareness

The highlights for this stream include ;

- I. Ensuring Alerts are communicated
- II. Liaising with NAFN re cross border fraud

Preventing Fraud

The highlights for this stream include ;

- I. Continuing to provide additional checks for Right to Buy cases
- II. Working with Derby Homes to undertake pro-active checks to prevent and detect fraud.
- III. Continuing to host the East Midlands Fraud Group with local partners and agencies to share best practice and identify emerging fraud risks
- IV. Undertaking pre-payment and fraud checks to support Covid-19 Business Grant awards

Detecting and Investigating Fraud

The highlights for this stream include;

- I. 5 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy) and 2 Housing applications withdrawn
- II. £1,134,697.97 savings delivered, consisting of £125,331.64 cashable savings, £16,170.00 civil penalties applied and paid and £993,196.33 value for money savings. Value for money (VFM) savings includes preventing unnecessary expenditure and loss of future income (Table 2)
- III. Continuing to provide intelligence to support Modern Slavery and Organised Crime Groups and to support the Rogue Landlord Initiative
- IV. Working with the Councils Financial Investigator to maximise income where appropriate
- V. Continuing to participate in the Council Tax Single Person Discount Review which commenced in September 2019.
- VI. The team has played a significant role in the Covid-19 Business Support Grant scheme providing operational support, pre-payment and post payment fraud checks, data-matching, development of the post payment assurance plan and leading on debt recovery.

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;

- I. Social care and direct payments
- II. Homeless team/RTB team
- III. Housing Benefits
- IV. Revenue & Economic regeneration – providing pre-payment assurance and fraud checks to support the Covid-19 discretionary Business Support scheme.

The overall savings breakdown for the team in the 2021/22 financial year is shown in Table 3 below.

Table 3 - Counter Fraud Team Savings Breakdown 2021/22

Description	Number	VFM Saving* £	Actual Saving/Income £
Council Tax			
Council Tax single person discounts removed	46	31726.34	18702.86
Local Council Tax Support	12	3499.86	11905.23
General change in liability	20	N/A	43899.05
Housing Benefit			
Housing Benefit cancelled / reduced	5	12800.13	38682.00
Housing			
Illegal succession, sublet, breach of tenancy**	5	232500.00	N/A
Housing Application stopped	2	6560.00	N/A
Right to Buy	12	706110.00	N/A
Civil Penalties	231		16170.00
Other	1		12142.50
TOTAL	334	993196.33	141501.64

*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 **Covid Grants – Fraud Risk**

In 2021/2022 the Council continued to administer grants for businesses affected by the Covid-19 Pandemic. In addition, the Council administered payments under the Test and Trace scheme, the Household Support Fund and the Energy Rebate Scheme.

Role of Counter Fraud Team

The Counter Fraud Team have played a substantial role in these processes and continue to do so. Tasks undertaken are:

- Assisted with development of application forms for various grant schemes and testing
- Devised a robust risk assessment plan
- Undertook 'Spotlight' checks on all limited companies and analysed responses (Spotlight is a government automated tool providing due diligence checks)
- Undertook Experian checks through NFI and analysed responses
- Manually provided due diligence checks on appropriate cases utilising available intelligence held by the authority, via open source and other legal gateways
- Liaised with other authorities where necessary to prevent cross border fraud
- Liaised with the National Anti-Fraud Network on cases of potential organised fraud
- Investigated grant applications where necessary
- Reviewed documentation submitted to identify manipulated or false items
- Provided a Single Point of Contact for fraud checks and referrals
- Post payment checks including National Fraud Initiative data-matching
- Claw back of funds as required

The Government require grant awards to be paid within a specific timeframe. This has required working at pace to deliver the various schemes and continually adapt processes and checks depending on the eligibility criteria of the different grants/support schemes available.

Post payment checks to date have shown that the comprehensive regime of pre-payment checks undertaken by the authority have provided a robust framework which has minimised exposure to fraud.

Role of Internal Audit

As well as an advisory role on mitigating fraud risk, Internal Audit continued to assist the Council in identifying fraudulent and incorrect payments made via the various support grants administered by the Council. The key role was to provide forensic, data interrogation and data analytics support throughout the process.

Internal audit has used advanced data analysis techniques and specialised software to highlight potentially suspicious markers and 'exceptions' for applications where grant decision is pending. Such checks including highlighting multiple different applicants specifying the same bank account details, different applicants specifying unique information such as national insurance numbers, email addresses or mobile numbers, duplicate applications from the same individuals to prevent duplicate grant awards, applications submitted in batches, at strange times, submitted from the same IP addresses, or foreign IP addresses etc.

Other regular data matching involved checking applications for multiple support grants that ran in parallel during the various lockdowns, known as 'data matching'. This can help identify duplicate payments, or applications ineligible for other schemes due to funding from other support grants. Internal Audit's involvement was used to primarily to supplement other internal eligibility checks where the grant decision was pending, but often Internal Audit were asked to perform their checks and matching 'after the event', when new intelligence of fraud was reported from external sources such as the National Anti-Fraud Network (NAFN).

Internal Audit also provided a data analytics function (including time analysis) for the Omicron ARG scheme. The scheme opened on 18 January 2022 and closed 15 February 2022, and successful applicants received between £400 to £1,700 depending on the type and size of the company. Internal Audit found that the scheme had been targeted by over 150 attempted fraudulent applications in February 2022. These were reported to NAFN.

5 Counter fraud policies and its overall approach to fraud risks

The Council's counter fraud policies were reviewed and updated in 2021. The main change was to combine the three policies – Anti-Fraud and Corruption Policy, The Anti-Bribery Policy and the Anti-Money Laundering Policy into one overall "Counter Fraud, Bribery and Corruption Policy and Framework" document. This document was approved by the Audit and Governance Committee on 26th January 2022.

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

There were no reports of potential Money Laundering made under the Council's Anti-Money Laundering Policy in 2021/22.

7 Bribery Act 2010

There were no reports of suspicions of bribery made under the Council's Anti-Bribery Policy in 2021/22.

8. Public Interest Disclosure Act 1998

There were 6 disclosures made under the Council's Whistleblowing Policy in 2021/22. These are detailed in Table 4 below.

Table 4 : Whistleblowing Disclosures 2021/22

Case Number	Description	Progress/Outcome
22/1	Use of WhatsApp in connection with work related issues.	Completed: Management resolved the issue and will monitor compliance and enforce the relevant procedures and controls in place.
22/2	Potential qualifying disclosure around non-compliance with legislation	Completed: Part of HR led investigation. Issue resolved.
22/3	Senior members of staff not complying with Council policies and procedures.	Completed: Referred to the relevant Safeguarding Officer for investigation.
22/4	Member of staff not accurately recording leave/time off.	Completed: Fact finding investigation carried out. Three recommendations made which management have implemented.
22/5	Potential conflict of interest with DCC employment.	Built into audit review - ongoing.
22/6	Misleading or fraudulent information being used in the recovery of costs for the clearance of debris following road traffic accidents.	Completed: Fact finding undertaken. Nothing suspicious was found.

The Whistleblowing Policy was due for review in 2021/22. A review and update has been completed and the Policy will need to go to the Unions before it can be approved by the Audit and Governance Committee.

9 Regulation of Investigatory Powers Act 2000

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). As part of the statutory framework within which those powers are exercised, 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.

The authorisation, review, renewal/extension and cancellation of covert surveillance requests are recorded in the Council's central register of authorisations. The central record is maintained by Legal Services.

During the 2021/22 administrative year, there were no applications made for either directed surveillance or the use of covert human intelligence sources (CHIS) under Part II of RIPA.