

Report sponsor: Strategic Director - Corporate Resources
Report author: Head of Internal Audit and Head of Revenues, Benefits and Exchequer Services

Counter Fraud Update

Purpose

- 1.1 This report provides an update on the counter fraud activities, including the National Fraud Initiative, being undertaken within the Council.
- 1.2 The work of the Council's Counter Fraud Team over the period 1 April 2020 to 30 September 2020 is outlined together with a savings breakdown (see Appendix 1).
- 1.3 It also provides an update for the period 1 April 2020 to 30 September 2020 on any notifications/investigations that have taken place under the following legislation:
 - The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017).
 - Bribery Act 2010.
 - Public Interest Disclosure Act 1998.
 - Regulation of Investigatory Powers Act 2000.

Recommendation

- 2.1 To note the actions taken and the progress being made on counter fraud activities across the Council.

Reason

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

Supporting information

National Fraud Initiative (NFI) – 2020/21 Exercise

- 4.1 The National Fraud Initiative Report published by the Cabinet Office in July 2020 indicated that, between 1st April 2018 and 4th April 2020, the last NFI exercise enabled participating organisations to prevent and detect £245 million of fraud and error.

- 4.2 The latest NFI exercise commenced in October of this year with the submission of files of data extracted on the 30th September 2020 (submission of Electoral Register and Council Tax data is required on the 30th November). These will be processed by the national NFI Team and data matches will be released on 28th January 2021. A new development for the 2020/21 exercise is the potential for a penalty fee of £195 if the Council is late in submitting data or submits poor quality data.
- 4.3 There have also been changes to the datasets required. Alcohol and Market Trader licence data are no longer mandatory datasets and since previous exercises have resulted in no positive matches, (and there is now a separate charge to process the data) these datasets will not be submitted by the Council. There is also a proposal to request two new Covid-19 related data files for Business Rates and Grant Recipients. In September this was subject to a pilot exercise in a number of authorities, and we are waiting to receive notification if and when this data will be required.

Counter Fraud Team

- 4.4 The Counter Fraud Team consisting of 3FTE and based within Revenues, Benefits and Exchequer Services continues to focus on:

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

4.5 Raising Fraud Awareness

The highlights for this stream include;

Review fraud awareness training to enable remote delivery due to current pandemic situation.

4.6 Preventing Fraud

The highlights for this stream include;

- a) Continuing to provide additional checks for Right to Buy cases.
- b) Working with Derby Homes to undertake pro-active checks.
- c) Continuing to host the East Midlands Fraud Group with local partners and agencies to share best practice and identify emerging fraud risks.
- d) Working with colleagues to deliver the Business Support Grant scheme.

4.7 Detecting and Investigating Fraud

The highlights for this stream include;

- a) 5 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy) and 3 Housing applications removed.
- b) £476,186.65 savings delivered, consisting of £119,556.73 recoverable savings and £356,629.92 value for money savings. Value for money (VFM) savings includes preventing unnecessary expenditure and loss of future income (Appendix 1).
- c) Continuing to provide intelligence to support Modern Slavery and Organised Crime Groups and to support the Rogue Landlord Initiative.
- d) Providing pre and post payment fraud checks for the Covid 19 Business Support Grants.

4.8 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) Right To Buy team
- b) Children Missing from Education

- 4.9 The Counter Fraud Team is participating in the Council Tax Single Person Discount Review which commenced in September 2019.

Public Interest Disclosure Act 1998

- 4.10 There have been no disclosures made under the Council's Whistleblowing policy since 1 April 2020.

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

- 4.11 There have been no reports of potential Money Laundering made under the Council's Anti-Money Laundering Policy since 1 April 2020.

Bribery Act 2010

- 4.12 There have been no reports of suspicions of bribery made under the Council's Anti-Bribery Policy since 1 April 2020.

Regulation of Investigatory Powers Act 2000

- 4.13 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), which Part I activity (access to communications data) is undertaken on behalf of all local authorities by the National Anti-Fraud Network (NAFN). During the period, 1 April 2020 to 30 September 2020, there was no recorded activity under Part II of RIPA.

Public/stakeholder engagement

5.1 None

Other options

6.1 None

Financial and value for money issues

7.1 None

Legal implications

8.1 None

Climate implications

9.1 None

Other significant implications

10.1 None

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal Finance Service Director(s) Report sponsor Other(s)	Strategic Director – Corporate Resources	
Background papers: List of appendices:	None Appendix 1 – Counter Fraud Team Savings Statistics	

Counter Fraud Team
Savings Breakdown 01/04/2020 to 30/09/2020

Description	Number	VFM Saving* £	Actual Saving/Income £
Council Tax/ NNDR			
Council Tax single person discounts removed			
NFI & non NFI	43	36151.92	27878.46
NNDR	2		13160.80
Local Council Tax Support	5	1900.50	5651.00
General change in liability	35		59450.12
Housing Benefit			
Housing Benefit cancelled / reduced	5	7297.50	11946.35
Housing			
Illegal succession, sublet, breach of tenancy	5	232500.00**	
Housing Application stopped	3	9840.00	
Right to Buy	1	68930.00	
Civil Penalties	21		1470.00
TOTAL		356,619.92	119,556.73

*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.