



Report sponsor: Strategic Director - Corporate Resources
Report authors: 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 1st April 2022 to 30th October 2022 is outlined together with a savings breakdown (see Appendix 1).
- 1.3 It also provides an update for the period 1st April 2022 to 30th October 2022 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 Governance 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) – 2022/23

- 4.1 The Cabinet Office has launched the 2022/23 NFI exercise. To meet the timetable requirements, data was extracted as at 30th September and submitted by the deadline of 18th November 2022. Matches are due to be released on 26th January 2023.
- 4.2 There has been significant issues with the quality of data received from services for the 2022/23 exercise. The Cabinet Office reserve the option to issue a fine where participants fail to comply with NFI data submission requirements. As a result, CMAP has been required to devote a substantial amount of time to try and cleanse the data files and align them with the NFI data specifications.
- 4.3 Examples of data issues encountered include:
- Duplicate records.
 - Missing data considered mandatory for the NFI exercise (e.g. the date of birth in Housing Waiting List data, surnames in the Council Tax Reduction Scheme data).
 - Errors in data entry (trailing zeros, misspellings, inclusion of punctuation characters).
 - Bank account numbers incorrect (9 characters instead of the expected 8).
 - National Insurance numbers in an incorrect format.
 - Details that have clearly been recorded in the wrong field (e.g. vehicle details recorded in payroll home telephone number field).
 - Inconsistencies in how data is recorded (particularly for address information).
 - Taxi licences issued for 3 years to three applicants that were over 70 years old. The system should only issue an annual permit once an individual reaches 70.
 - Contradictory evidence held in different files used by a service.
- 4.4 It should be recognised that these issues are not solely an NFI data quality problem but reflect on the quality of the day-to-day data used by services and indicate potential system weaknesses. It is also a concern from an information governance angle as it is a General Data Protection Regulation (GDPR) breach if the organisation maintains inaccurate information.
- 4.5 It was reported to a previous meeting that the Cabinet Office were consulting on extending NFI data matching to new purposes:
- to assist in the prevention and detection of crime (other than fraud);
 - to assist in the apprehension and prosecution of offenders;
 - to assist in prevention and detection of errors and inaccuracies; and
 - to assist in the recovery of debt owing to public bodies.

The result of the consultation has now been published and the majority of public and private sector organisations that responded largely supported the extension of the NFI to some or all of the four purposes. The majority of individuals and special interest groups raised concerns, and generally opposed extension without sufficient safeguards. The Cabinet Office has taken the decision not to extend the NFI to new purposes and fraud will remain the focus of the exercise at this time.

Counter Fraud Team

- 4.6 The Counter Fraud Team consisting of 3.2 FTE and based within Revenues, Benefits and Exchequer Services continues to focus on:

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

4.7 Raising Fraud Awareness

The highlights for this stream include

- the dissemination of fraud alerts both internally and externally
- Delivering a programme of fraud awareness training

4.8 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) Undertaking fraud checks to support delivery of the Household Support Fund.
- e) Undertaking pro-active checks of Council Tax discounts/exemptions.

4.9 Detecting and Investigating Fraud

The highlights for this stream include:

- a) 8 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy) and 2 Right to Buy applications withdrawn following intervention of the fraud team.
- b) £643,337.84 savings delivered, consisting of £118,485.49 recoverable savings and £524,852.35 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) Completing post payment assurance checks for the Covid 19 Business Support Grants.
- e) Undertaking checks for the Household Support Fund scheme.
- f) Checking and undertaking enquiries arising from NFI data matching.
- g) Continuing to provide a Single Point of Contact (SPOC) service to the Department for Work and Pensions (DWP) and undertaking joint investigations

4.10 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
- c) Parking Services

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

Public Interest Disclosure Act 1998

4.12 There have been three disclosures made under the Council's Whistleblowing policy since 1st April 2022. These are detailed in Table 1 below.

Table 1 : Whistleblowing Disclosures 2022/23

Case Number	Description	Progress/Outcome
23/1	Lack of compliance and or breach of DCC policies and procedures and financial regulations.	Currently being investigated by Internal Audit.
23/2	The conduct of Council officers during an investigation. (Protected Disclosure)	Does not meet the criteria for a whistleblowing/protected disclosure. Being investigated as a complaint.
23/3	Failure to follow proper recruitment procedures	Currently being investigated by Internal Audit.

4.13 The Whistleblowing Policy has been reviewed and is due to go to the Council's Policy Working Group at the beginning of December 2022. It is intended to bring the Policy to the January 2023 meeting of this Committee for approval.

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

4.14 There have not been any potential Money Laundering issues that require reporting to the National Crime Agency for consideration.

Bribery Act 2010

4.15 There have been no reports of suspicions of bribery in this financial year to date.

Counter Fraud Policies

- 4.16 The Council's Counter Fraud, Bribery and Corruption Policy and Framework was approved at the Committee meeting on 26th January 2022.

Regulation of Investigatory Powers Act (RIPA) 2000

- 4.17 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, 1st April 2022 to 30th October 2022, there was no recorded activity under Part II of RIPA.

Fraud Risk

- 4.18 Through the Corporate Risk Management Group, the Council has started the process of assessing its fraud risks. A comprehensive risk assessment is fundamental to capturing the key fraud risks, assessing the impact they have on the Council, and evaluating the key controls in place to prevent and detect instances of fraud.
- 4.19 A fraud risk is now detailed on the Strategic Risk Register (SR31) and is titled "Fraudulent activity within the organisation". The risk owner is the Strategic Director – Corporate Resources and there are four risk updaters – The Council's Monitoring Officer, the Director of Financial Services, the Senior Counter Fraud Investigator and the Head of Internal Audit.
- 4.20 The strategic risk is currently rated as medium (probable and high impact) and continues to be treated via controls in place. Actions have some slippage and an action to ensure that Heads of Service record and produce a risk management plan for fraud risk in their area is on hold due to capacity issues in the Assurance team.

Public/stakeholder engagement

- 5.1 None

Other options

- 6.1 None

Financial and value for money issues

- 7.1 See Appendix 1. Costs for dealing with fraud against local government are significant and go well beyond the direct financial loss. They can include assessment, detection, investigation and response costs, as well as the cost of seeking restitution. In addition, further costs can include process/procedure reviews and audits.

Legal implications

- 8.1 None

Climate implications

9.1 None

Socio-Economic implications

10.1 Fraud is not a victimless crime. Those who rely on local government services (such as the elderly, the vulnerable etc) are often the ones most harmed by fraud. Fraud undermines the Council's ability to deliver services and achieve intended outcomes. Ultimately money and services are diverted away from those who need it.

Other significant implications

11.1 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 01/04/2022 to 30/10/2022

The figures below do not include outcomes arising from NFI data matching

Description	Number	VFM Saving*	Actual Saving/Income
		£	£
Council Tax			
Council Tax single person discounts removed	21	15,516.58	15,834.00
Local Council Tax Support	10	4162.25	14,368.66
General change in liability	7	N/A	19,458.71
Housing Benefit cancelled / reduced	8	23,753.52	51,254.12
Illegal succession, sublet, breach of tenancy	8	372,000.00	N/A
Housing Application stopped	2	6,560.00	N/A
Right To Buy withdrawn	2	102,860.00	N/A
Other			
Civil Penalties	251	N/A	17,570.00
TOTAL		524,852.35	118,485.49

*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.