



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 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021 is outlined together with a savings breakdown (see Appendix 1).
- 1.3 It also provides an update for the period 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021 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) – 2020/21 Exercise

- 4.1 The Council's data was submitted in line with the NFI timetable and the majority of matches were released on the 29th January 2021. Matches of Council data against HMRC data were released at the end of March 2021 and Covid-19 Business Grant matches in mid-May 2021.
- 4.2 Table 1 below shows the number of matches released under the 2020/21 Initiative by dataset.

Table 1 : 2020/21 NFI Matches Released to Date

Dataset	Number of Matches	Notes
Housing Benefit	164	
Housing Tenants	482	Includes Right to Buy
Payroll	47	
Blue Badge	611	
Housing Waiting List	286	
Council Tax Reduction Scheme	895	
Creditors	2195	
Procurement	125	
Small Business Grants	86	
Total	4891	

To date 1,838 of the matches have been processed (38%) and 83 are in progress. This has resulted in the identification of four frauds and 168 errors.

- 4.3 We reported to the March 2021 Committee that the Cabinet Office was consulting on enacting four additional powers set out in the Local Audit and Accountability Act 2014. The consultation period for this proposal was extended by six weeks into May 2021. There have been no further communications from the Cabinet Office and the next programmed milestone is to begin pilots in December 2021.

### Counter Fraud Team

- 4.4 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

#### 4.5 Raising Fraud Awareness

The highlights for this stream include the dissemination of fraud alerts both internally and externally

#### 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) 3 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy) and 8 Right to Buy applications withdrawn following intervention of the fraud team.
- b) £649,943.27 savings delivered, consisting of £55,470.12 recoverable savings and £594,473.15 value for money savings. Value for money (VFM) savings includes preventing unnecessary expenditure and loss of future income (Appendix 1).
- c) Joint prosecution with DWP.
- d) Continuing to provide intelligence to support Modern Slavery and Organised Crime Groups and to support the Rogue Landlord Initiative.
- e) Providing pre and post payment fraud checks for the Covid 19 Business Support Grants. This has continued to be a significant workstream during this period utilising a significant amount of the team resources.
- f) Checking and undertaking enquiries arising from NFI data matching.
- g) Continuing to provide SPOC service to DWP and undertaking joint investigations

#### 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
- c) Parking Services

#### 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 five disclosures made under the Council's Whistleblowing policy during the period and these are detailed in Table 2 below.

Table 2 : Whistleblowing Disclosures 2021/22

Case Number	Description	Progress/Outcome
22/1	Use of WhatsApp in connection with work related issues.	Fact finding work being carried out.
22/2	Potential qualifying disclosure around non-compliance with legislation	Completed: Fact finding investigation carried out. Qualifying disclosures deemed not to be in the public interest.
22/3	Senior members of staff not complying with Council policies and procedures.	Management to contact the relevant Safeguarding Officer for advice and carry out fact finding 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.	Issue under assessment.

- 4.11 The Whistleblowing Policy is currently under review and the revised policy will be brought to the January 2022 meeting of this Committee.

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

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

## **Bribery Act 2010**

- 4.13 There have been no reports of suspicions of bribery during the period.

## **Counter Fraud Policies**

- 4.14 The Council's Counter Fraud Policies are currently being reviewed and the revised policies will be brought to the January 2022 meeting of this Committee for consideration.

## **Regulation of Investigatory Powers Act 2000**

- 4.15 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<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021, there was no recorded activity under Part II of RIPA.

## **Fraud Risk**

- 4.16 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.

## **Public/stakeholder engagement**

- 5.1 None

## **Other options**

- 6.1 None

## **Financial and value for money issues**

- 7.1 See Appendix 1.

## **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:	None	
List of appendices:	Appendix 1 – Counter Fraud Team Savings Statistics	

**Counter Fraud Team  
Savings Breakdown 01/04/2021 to 30/09/2021**

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

Description	Number	VFM Saving*	Actual Saving/Income
		£	£
<b>Council Tax/ NNDR</b>			
Council Tax single person discounts removed	9	<b>6036.60</b>	<b>1801.88</b>
NNDR	0		
Local Council Tax Support	5	<b>1767.15</b>	<b>5513.86</b>
General change in liability	9	<b>0</b>	<b>17241.64</b>
Housing Benefit cancelled / reduced	3	<b>9059.40</b>	<b>9985.24</b>
Illegal succession, sublet, breach of tenancy	3	<b>139,500.00</b>	<b>0</b>
Housing Application stopped	0	<b>0</b>	<b>0</b>
Right To Buy withdrawn	8	<b>Total value of discounts 438,110.00</b>	<b>0</b>
<b>Other</b>	5		<b>12,107.50</b>
<b>Civil Penalties</b>	126		<b>8820.00</b>
<b>TOTAL</b>	<b>168</b>	<b>594,473.15</b>	<b>55,470.12</b>

\*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.