

Report sponsor: Director of Finance
Report authors: Head of Internal Audit, Head of
Legal, Insurance & Information Governance
Services and Senior Counter Fraud Investigator

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 2023 to 31st October 2023 is outlined together with a savings breakdown (see Appendix 1).
- 1.3 It also provides an update for the period 1st April 2023 to 31st October 2023 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 In October 2022, the Council submitted data to the Cabinet Office as part of the 2022/23 NFI exercise. The table below shows the matches generated by this exercise:

Table 1 2022/23 Matches

	Number of Matches	Notes
Housing Benefit	131	
Housing Tenants	926	Includes Right to Buy
Blue Badge	646	
Housing Waiting List	456	
Council Tax Reduction Scheme	715	
Creditors	2,095	
Procurement	159	
Payroll	49	
Travel Passes/Parking Permits	555	
Total	5,732	

- 4.2 To date 647 of the matches have been processed (11.3%). This has resulted in the identification of no frauds and 64 errors.
- 4.3 One error was due to the non-declaration of student status in a Housing Benefit and Council Tax case. £10,360.70 is currently being recovered.
- 4.4 The remaining 63 cases relate to deceased residents not having their Blue Badges cancelled. Although there is no direct financial saving to the Council, the Cabinet Office estimate that this will save £40,950 to reflect lost parking and congestion charge revenue (based on a standard national saving of £650 per badge).
- 4.5 The Cabinet Office are consulting on a proposal to explore, and help inform, policy decisions on the usage of a Legislative Reform Order (LRO), to resume the sharing of adult social care data across local authorities in England, Scotland and Wales. This will enable the NFI to use this data in its matching activities and have an estimated minimum impact of £4.6m in prevented fraud loss across the UK, over each two-year period. The intended data in question will not be healthcare related (i.e. it will not show medical conditions, treatments or anything else that indicate health conditions). The data will be used solely to highlight the payment of adult social care services, which is collected at an individual level, such as care home support and personal budgets payments.

Counter Fraud Team

- 4.6 The Counter Fraud Team consisting of 4.4 FTE and based within Internal Audit continues to focus on:
- Raising fraud awareness
 - Preventing fraud
 - Detecting/investigating 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
- Social media posts encouraging fraud referrals

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 Homes for Ukraine scheme.
- e) Undertaking pro-active checks of Council Tax discounts/exemptions.

4.9 Detecting and Investigating Fraud

The highlights for this stream include:

- a) 11 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy), 4 Housing Applications stopped and a Right to Buy withdrawn following intervention of the fraud team.
- b) £1,032,230 savings delivered, consisting of £371,366 recoverable savings and £660,864 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.
- d) Undertaking checks for the Homes for Ukraine scheme.
- e) Checking and undertaking enquiries arising from NFI data matching.
- f) Continuing to provide SPOC service to 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) Adult social care.
- d) Housing

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

- 4.12 The overall savings breakdown for the team in the 2023/24 financial year to date is shown in Table 2 below.

Table 2 - Counter Fraud Team Savings Breakdown 2023/24

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	42	21,121	29,472
Local Council Tax Support	28	9,643	38,258
General change in liability	4		18,803
Housing Benefit cancelled / reduced	16	48,980	194,690
Illegal succession, sublet, breach of tenancy	11	511,500	
Housing Application stopped	4	13,120	
Right To Buy withdrawn	1	56,500	
NNDR	1		8,835
Joint working DWP overpayments (not HB)	4		74,448
Civil Penalties	98		6,860
TOTAL	209	660,864	371,366

*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.

Public Interest Disclosure Act 1998

- 4.13 There have been no disclosures made under the Council's Whistleblowing policy since 1st April 2023.

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. No amendments have been made to it since it was approved.

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 2023 to 31st October 2023, there was no recorded activity under Part II of RIPA.

Fraud Risk

- 4.18 As reported in the Counter Fraud Annual Report 2022/23, the two fraud risks, CR28(a) - "Internal Fraudulent activity affecting the organisation (DCC)" and CR28(b) - "External Fraudulent activity affecting the organisation (DCC)" are now being monitored quarterly at directorate level, not strategic level.

Public/stakeholder engagement

- 5.1 None

Other options

- 6.1 None

Financial and value for money issues

- 7.1 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	Alison Parkin, Director of Finance	24 th November 2023
Other(s)		

Background papers:	None
List of appendices:	None