



Report sponsor: Strategic Director - Corporate Resources

Report authors: Head of Internal Audit and
Head of Revenues, Benefits and Exchequer Services

ITEM 8

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 October 2020 to 28 February 2021 is outlined together with a savings breakdown (see Appendix 1).
- 1.3 It also provides an update for the period 1 October 2020 to 28 February 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.
- 1.4 Committee's attention is also drawn to two recent publications on Fraud from the Chartered Institute of Public Finance and Accountancy (CIPFA) – the annual fraud and corruption tracker and from the National Audit Office (NAO) – a Good Practice Guide on Fraud and Error.

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 Council's data was submitted in line with the NFI timetable and the majority of matches were released on the 29th January. Matches of Council data against HMRC data are due to be released at the end of March and we await clarification regarding the publication of the Covid-19 Business Grant matches.
- 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	187	
Housing Tenants	444	Includes Right to Buy
Blue Badge	611	
Housing Waiting List	270	
Council Tax Reduction Scheme	843	
Creditors	2195	
Procurement	125	
Total	4675	

Future Counter Fraud Update reports to this Committee will include a summary of progress made with investigating the matches.

- 4.3 In March 2020, the NFI team identified that an update in 2016 to the NHS Act 2006 legislation meant that three NFI data sets (personal budgets, residential care homes and social care data) now fall into the definition of patient data. As there are restrictions on the matching of patient data these reports have been removed from the latest NFI exercise. The Cabinet Office are seeking to change legislation to enable matching of this data going forwards.

The current defined legal purpose of the NFI exercise is solely the detection and prevention of fraud. The Cabinet Office is currently consulting on enacting 4 additional powers set out in the Local Audit and Accountability Act 2014 which would allow the NFI to match data for the following 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 first two powers would see the Police having access to NFI data to assist them in their enquiries. The third and fourth would enable organisations to extend their use of the NFI data beyond the current sole power of preventing and detecting fraud. CMAP have responded to the consultation on behalf of the Council indicating support for the proposed expansion of the powers. The consultation ends on 24th March 2021.

Counter Fraud Team

4.4 The Counter Fraud Team consisting of 4.2 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:

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) 7 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy) and 4 Housing applications removed.
- b) £591,063.48 savings delivered, consisting of £186,633.31 recoverable savings and £404,430.17 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. This has been a significant workstream during this period utilising the majority of the teams resources and continues to be as the pandemic continues.

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 five disclosures made under the Council's Whistleblowing policy during the period. Two have been subject to fact finding investigations, one of which is now complete. The other three are currently being assessed.

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

- 4.11 There has been one potential Money Laundering issue that requires reporting to the National Crime Agency for consideration.

Bribery Act 2010

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

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 October 2020 to 28 February 2021, there was no recorded activity under Part II of RIPA.

CIPFA Fraud and Corruption Tracker - National Report 2020

- 4.14 Each year, the CIPFA Fraud and Corruption Tracker (CFaCT) aims to provide a current national picture of public sector fraud and corrupt activity. According to the Annual Fraud Indicator 2017, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, with £7.3bn of this total being lost in local government.
- 4.15 The key headlines detailed in the Executive Summary of the CFaCT report are:
- For local authorities in the UK, CIPFA has estimated that the total value of fraud identified and prevented in 2019/20 is approximately £239.4m, which is an average value of £5,090 per fraud case. In 2018/19, there was an estimated value of £253m with a lower average of £3,600 per case detected and prevented.
 - Councils reported that approximately 47,000 instances of fraud had been detected or prevented in 2019/20, which is lower than the approximation of 71,000 reported by CIPFA in 2018/19. Council tax fraud represents almost two thirds (65%) of these identified instances of fraud with an estimated value of £35.9m, followed by disabled parking concession (Blue Badge Scheme) and housing fraud which represent 17% and 11% of the total cases of UK public sector fraud, respectively.

- The largest growing fraud area is housing tenancy, with an estimated £60.1m lost in 2019/20 compared to £47.7m in 2018/19. This is followed by council tax single person discount (SPD) which has an estimated increase of £9.6m to an estimated value of £29.0m for cases detected/prevented in 2018/19.

National Audit Office Publication - Good practice guidance on Fraud and Error

- 4.16 The National Audit Office has recently published good practice guidance on Fraud and Error. The guide sets out the increased level of risk of fraud and error and how the National Audit Office (NAO) will ensure accountability and transparency over that level of risk through its audits. It also sets out insights from its recent work on fraud and error to show how more can be done to counter this risk. The guide contains a section that sets out good practice guidance based around the NAO's Fraud and Error Audit Framework's principles and provides examples of how the Framework can be applied. Much of this good practice can be built into a similar framework around fraud and error in a local authority context.

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 01/04/2020 to 05/03/2021

Description	Number	VFM Saving*	Actual Saving/Income
		£	£
Council Tax/ NNDR			
Council Tax single person discounts removed			
Non NFI	76	46,720.96	37,010.80
NNDR	3		22,476.14
Local Council Tax Support	9	3,491.04	10,189.49
General change in liability	40		71,047.33
Housing Benefit			
Housing Benefit cancelled / reduced	10	15,598.17	42,549.55
Housing			
Illegal succession, sublet, breach of tenancy	7	325,500**	
Housing Application stopped	4	13,120	
Civil Penalties	48		3,360.00
TOTAL	197	404,430.17	186,633.31

*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.