



**AUDIT & ACCOUNTS COMMITTEE**  
**6 November 2019**

**ITEM 07**

Report sponsor: Strategic Director of 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 to 30 September 2019 is outlined together with a savings breakdown (see Appendix 1).
- 1.3 It also provides an update for the period 1 June 2019 to 30 September 2019 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

### **Recommendations**

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

### **Reasons**

- 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) – 2018/19 Exercise**

4.1 The Council is continuing to investigate data matches as part of the 2018/19 National Fraud Initiative (NFI) exercise. The table below shows progress on the matches:

**Table 1 2018/19 Exercise**

Total Number of Matches	Number of High Risk Matches (Note 1)	Number of Matches Closed as at 30 <sup>th</sup> Sept	Number of Matches in Progress as at 30 <sup>th</sup> Sept	Number of matches identifying a Fraud (exc Rechecks)	Number of Matches identifying an error	Financial Outcome (exc Rechecks)
5,530	612	1,116	46	0	157	£619

Note 1:

The NFI underwent a significant overhaul between the 2016/17 and 2018/19 exercises with one of the more important changes being a move away from Recommended Matches (those that the Cabinet Office judged to be the most likely to identify error or fraud). From 2018/19 onwards each data match is allocated a risk score between 0 – 100% and categorised as High, Medium or Low Risk. This is calculated using the same risk logic as used to calculate the 2016/17 "recommended" matches together with a new footprint score which takes account of the number of times an individual in a match appears at the same address across all of the NFI data.

Errors identified:

150 Blue Badges have been cancelled as a result of comparing Council records to the Department of Work and Pensions deceased data. Although there is no direct financial saving to the Council, the Cabinet Office estimate that this will save £86,250 to reflect lost parking and congestion charge revenue (based on a standard national saving of £575 per badge).

Six Residents Parking Permits have been cancelled as a result of comparing Council records to the Department of Work and Pensions deceased data. There is no direct financial saving to the Council.

One error was revealed by a comparison of Council Tax Reduction Scheme data to the Payroll (no earnings were declared by an ex-employee). £619 is being recovered.

**4.2 Schools Creditor Payments**

Internal Audit investigated a sample of the Creditor payments that appeared to be duplicates based on the creditor reference and amount. The exercise identified that there were three invoices at one Derby school that could have been paid twice (total potential error of £5,069) and six invoices that may have been paid twice by Academy schools (total potential error of £10,480).

Details of creditor payments are held by the relevant school and potential duplicate payment at the Derby school will be investigated as part of the Schools Financial Values Standard audit due to be completed by the end of the year.

Letters have been written to the six Academy schools informing them of the potential overspending.

#### 4.3 Counter Fraud Team

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

##### Raising Fraud Awareness

The highlights for this stream include ;

- (a) Fraud awareness training for staff
- (b) Increased advertising of online fraud reporting tool
- (c) An article in InTouch promoting the work of the service

##### Preventing Fraud

The highlights for this stream include ;

- (a) Continuing to provide additional checks for Right to Buy cases
- (b) Continuing to work with Adult Social Care to prevent fraud in supported accommodation
- (c) Working with Insurance team to strengthen fraud detection process
- (d) Working with Derby Homes to undertake pro-active checks to prevent and detect fraud
- (e) Continuing to host the East Midlands Fraud Group with local partners and agencies to share best practice and identify emerging fraud risks

## Detecting and Investigating Fraud

The highlights for this stream include;

- (a) Nine Derby Homes properties recovered (e.g. illegal sub-letting), six Right to Buy applications withdrawn
- (b) £937,317.02 savings delivered, consisting of £74,592.83 recoverable savings and £862,724.19 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) Participating in NFI pilots for NNDR and HMRC
- (e) Undertaking joint investigations with DWP
- (f) Currently working with the Councils Financial Investigator

## 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) Social care and direct payments
- (b) Homeless team
- (c) Housing Benefits – specifically Supported Accommodation where enhanced rates of Housing Benefit can be claimed

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

### **4.4 Public Interest Disclosure Act 1998**

There have been no disclosures made under the Council's Whistleblowing policy since 1 June 2019. All disclosures made in 2018/19 have been closed as reported at that the June meeting of this Committee.

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

There have been no reports of potential Money Laundering made under the Council's Anti-Money Laundering Policy since 1 June 2019.

### **4.6 Bribery Act 2010**

There have been no reports of suspicions of bribery made under the Council's Anti-Bribery Policy since 1 June 2019.

#### 4.7 Regulation of Investigatory Powers Act 2000

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 June 2019 to 30 September 2019, 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

#### Other significant implications

9.1 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 of Corporate Resources	18 <sup>th</sup> October 2019

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Counter Fraud Team Savings Breakdown

**Counter Fraud Team  
Savings Breakdown 01/04/2019 to 30/09/2019**

Description	Number	VFM Saving* £	Actual Saving/Income £
<b>Council Tax/ NNDR</b>			
Council Tax single person discounts removed			
NFI & non NFI	35	<b>22038.54</b>	<b>14269.12</b>
NNDR	4		<b>16579.95</b>
Local Council Tax Support	17	<b>3592.26</b> (Weekly amount x21)	<b>7823.62</b>
General change in liability	2		<b>6451.71</b>
<b>Housing Benefit</b>			
Housing Benefit cancelled / reduced	56	<b>132,543.39</b> (Weekly amount x 21)	<b>28698.43</b>
<b>Housing</b>			
Illegal succession, sublet, breach of tenancy	9	<b>418,500.00**</b> (5 x £46,500)	
<b>Housing Application stopped</b>	1	<b>3280.00</b>	
<b>Right to Buy</b>	6	<b>282,770.00</b> (Value of RTB discount)	
<b>Civil Penalties</b>	11		<b>770.00</b>
<b>TOTAL</b>	<b>141</b>	<b>862,724.19</b>	<b>74,592.83</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.