



AUDIT & ACCOUNTS COMMITTEE

19 June 2019

ITEM 11

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 in the period 1 October 2018 to 31 May 2019.
- 1.2 It also provides an update 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 2018/19 National Fraud Initiative (NFI) exercise is now underway. The Council was required to extract and submit all data sets on 8 October 2018 with the matches being available to all participants from 31 January 2019. 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 31 st May	Number of Matches in Progress as at 31 st May	Number of matches identifying a Fraud	Number of Matches identifying an error	Financial Outcome (exc Rechecks)
4,571	710	773	20	0	97	£0

Errors:

91 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 £52,325 to reflect lost parking and congestion charge revenue (based on a standard national saving of £575 per badge).

Six Residents Parking Permits were cancelled as a result of comparing Council records to the Department of Work and Pensions deceased data. No direct saving to the Council.

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.

For comparison purposes, the outcomes from the 2016/17 exercise are provided in Table 2 below:

Table 2 2016/17 Exercise

Total Number of Matches	Number of Recommended Matches	Number of Matches Closed	Number of matches identifying a Fraud	Number of Matches identifying an error	Financial Outcome (exc Rechecks)
8,027	1,873	5,526	1	204	£5,359

Fraud:

The fraud related to the issue of two Blue Badges to the same person by Derby City Council and a second Authority (no estimated savings).

Errors:

200 Blue Badges have been cancelled as a result of comparing Council records to the Department of Work and Pensions deceased data. Cabinet Office did not calculate estimated savings for this exercise.

Two errors related to Housing Benefit (value of overpayment = £3,914).

Two errors related to Council Tax Reduction (value of overpayment = £1,445).

NFI - NNDR / Business Rates Pilot

- 4.2 The Counter Fraud team submitted a successful bid in 2018 to participate in a pilot study to identify Business Rates fraud both within the Derby City area and with neighbouring local authorities. The exercise matched Business Rates data against existing NFI data for residential care home residents, personal alcohol licences and creditors.

The pilot study aims to inform future targeted data-matching.

As a result of the pilot, the Counter Fraud Team identified two Small Business Relief errors with an estimated value of £6,720.

NFI - Social Care Pilot

- 4.3 The Council took part in a second pilot that matched Adult Social Care data against Disclosure of Death Registration Information (DDRI). This was to identify where payments were still being made incorrectly as a death had not been notified.

The exercise identified two cases where a death had not been notified to the Council but there was no financial saving. Payments had already stopped as the care provider had already stopped invoicing the Council.

4.4 NFI – HMRC Pilot

In January 2019 the Council were invited to participate along with 9 other local authorities in a NFI pilot involving HMRC. The key part of the pilot is to review the HMRC data released in NFI matches and provide feedback on the value it adds in counter fraud efforts.

The Counter Fraud Team has reviewed the matches received and provided feedback to NFI. 65 cases were identified as requiring further investigation. The estimated value of the fraud/error relating to these cases is £21K. The results have been used to evaluate the pilot, specifically whether or not it is delivering on the objectives. This evaluation was presented to the Digital Economy Act (DEA) Review Board by the Cabinet office and approval to role the pilot out to all English local authorities by summer 2019 has been granted.

4.5 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) 10 Derby Homes properties recovered, 4 housing applications refused
- (b) Around £857,000 savings delivered, consisting of £143,000 recoverable and £714,000 value for money savings. Value for money (VFM) savings includes preventing unnecessary expenditure and loss of future income (Appendix 2)
- (c) 39 Civil Penalties applied relating to Council Tax
- (d) Successful NNDR case resulting in a formal caution
- (e) Continuing to provide intelligence to support Modern Slavery and Organised Crime Groups and to support the Rogue Landlord Initiative
- (f) Participating in NFI pilots for NNDR and HMRC
- (g) Undertaking joint investigations with DWP
- (h) 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) Insurance team
- (b) Social care and direct payments
- (c) Homeless team
- (d) Housing Benefits – specifically Supported Accommodation where enhanced rates of Housing Benefit can be claimed

The Counter Fraud team are also exploring options of how the service can be sold to raise further income for the Council.

4.6 Public Interest Disclosure Act 1998

There have been 3 disclosures made under the Council's Whistleblowing policy since 1 October 2018. There was a total of 15 disclosures made in 2018/19. All cases previously notified to this Committee have now been concluded. Management has taken appropriate action in all instances where deficiencies were found. The 3 new disclosures are shown in the Table 3 below:

Table 3 : Whistleblowing Disclosures since 1 October 2018

Case Number	Description	Progress/Outcome
13	Number of allegations made about malpractice and management failings.	Investigations complete – A lot of hearsay information and no supporting evidence in a number of cases. One allegation found to be true, but management had already put resolutions in place to address the issue.
14	Bullying of a member of staff	Investigation complete. No evidence was found that there had been systematic bullying. The investigation did suggest a few areas for improvement of processes that management should consider.
15	Issues re completion of designs/drawings within a capital scheme.	Being picked up as part of the on-going scheme work.

4.7 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 October 2018.

4.8 Bribery Act 2010

There have been no reports of suspicions of bribery made under the Council's Anti-Bribery Policy since 1 October 2018.

4.9 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 October 2018 to 31 May 2019, there was 1 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	Strategic Director of Corporate Resources	10 June 2019
Other(s)		

Background papers:	None
List of appendices:	Appendix 1 – Counter Fraud Team Savings Breakdown

Counter Fraud Team
Savings Breakdown 01/10/2018 to 31/05/2019

Description	Number	VFM Saving* £	Actual Saving/Income £
Council Tax/ NNDR			
Council Tax single person discounts removed			
NFI	83	52,240.62	27,347.19
Non-NFI	8	5208.64	2135.94
NNDR	2		8467.94
Local Council Tax Support	25	5674.83 (Weekly amount x21)	15,857.52
General change in liability Class F exemption project.	5		3,855.04
Housing Benefit			
Housing Benefit cancelled / reduced	59	172,601.31 (Weekly amount x 21)	82,096.68
Housing			
Illegal succession, sublet, breach of tenancy	10	465,000.00** (10 x £46,500)	
Housing applications withdrawn	4	13,120.00 (4 x £3280)	
Social Care			
Adult			
Sanctions			
Formal caution	1		
Prosecutions	1		980
Civil Penalties	39		2,730.00
TOTAL		713,845.40	143,470.31

*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.