

Counter Fraud – Annual Report 2022/23

1. Introduction

This annual Counter Fraud Report provides details on all the counter fraud activities undertaken within the Council in the 2022/23 financial year.

The annual report covers:

- The National Fraud Initiative – 2020/21 and 2022/23
- The work of the Council's Counter Fraud Team over the year
- The Council's counter fraud policy framework
- The Council's overall approach to fraud risks
- Details of any reports made under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017)
- Details of any reports made in respect of the Bribery Act 2010
- The Council's Whistleblowing Policy and any items raised under Whistleblowing (the Public Interest Disclosure Act 1998)
- Applications made under the Regulation of Investigatory Powers Act 2000

2. National Fraud Initiative (NFI) – 2020/21 Exercise

The 2020/21 National Fraud Initiative (NFI) exercise has been superseded by the 2022/23 exercise and the 2020/21 data will be withdrawn on 29th August 2023. Table 1 below shows the total number of matches for the 2020/21 exercise and Table 2 shows the outcomes from that exercise:

Table 1 2020/21 Matches

| | Number of Matches | Notes |
|------------------------------|-------------------|-----------------------|
| Housing Benefit | 188 | |
| Housing Tenants | 598 | Includes Right to Buy |
| Blue Badge | 611 | |
| Housing Waiting List | 286 | |
| Council Tax Reduction Scheme | 991 | |
| Creditors | 2195 | |
| Procurement | 125 | |
| Payroll | 47 | |
| Covid Grants | 86 | |
| Total | 5,127 | |

Table 2 Investigation Progress

| Total Number of Matches | Number of High Risk Matches | Number of Matches Closed as at 28th June 2022 | Number of Matches in Progress as at 28th June 2022 | Number of matches identifying a Fraud (exc Rechecks) | Number of Matches identifying an error | Financial Outcome (exc Rechecks) |
|-------------------------|-----------------------------|---|--|--|--|----------------------------------|
| 5,127 | 465 | 1,535 | n/a | 7 | 338 | £245,858 |

The 2020/21 exercise identified the following errors and frauds:

- Three individuals had failed to declare their student loans when claiming housing benefit (£10,184 was under recovery).
- One parking permit had been obtained fraudulently. The permit has been cancelled and there are no financial implications.
- Pension details had not been declared in three council tax reduction applications resulting in an overpayment of £4,322 that was subsequently recovered.
- Benefit had been paid in error to a deceased individual for 9 weeks. £884 was recovered.
- 335 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 £192,625 to reflect lost parking and congestion charge revenue (based on a standard national saving of £575 per badge).
- 1 residents parking permit was cancelled as a result of comparison to Benefits Agency deceased data.
- A duplicate creditor payment was made to a company which has since been recovered (£6,065).

The Cabinet Office has reported that the 2020/21 has resulted in the detection or prevention of over £443 million of fraud and error. The main categories of fraud, overpayments and error were:

- £250 million - Pension
- £44.7 million - Council Tax Single Person Discount
- £21.8 million - Housing Waiting List
- £14.4 million - Housing Benefit

3. National Fraud Initiative (NFI) – 2022/23 Exercise

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 3 2022/23 Matches

| | Number of Matches | Notes |
|-------------------------------|-------------------|-----------------------|
| Housing Benefit | 131 | |
| Housing Tenants | 258 | Includes Right to Buy |
| Blue Badge | 646 | |
| Housing Waiting List | 456 | |
| Council Tax Reduction Scheme | 481 | |
| Creditors | 2,095 | |
| Procurement | 159 | |
| Payroll | 49 | |
| Travel Passes/Parking Permits | 555 | |
| Total | 4,830 | |

4. Counter Fraud Team

The Counter Fraud Team consisting of 4.4FTE and based within Revenues, Benefits and Exchequer Services have focused on:

- Delivering the Covid-19 Business Support Grant scheme
- Assisting with Household Support Fund checks
- Undertaking checks on Right To Buy applications
- Raising fraud awareness
- Preventing fraud
- Detecting fraud
- Understanding emerging fraud risks

Raising Fraud Awareness

The highlights for this stream include ;

- I. Ensuring Alerts are communicated
- II. Liaising with NAFN re cross border fraud

Preventing Fraud

The highlights for this stream include ;

- I. Continuing to provide additional checks for Right to Buy cases
- II. Working with Derby Homes to undertake pro-active checks to prevent and detect fraud.
- III. Continuing to host the East Midlands Fraud Group with local partners and agencies to share best practice and identify emerging fraud risks
- IV. Undertaking post payment activity to support Covid-19 Business Grant assurance process.
- V. Undertaking fraud checks to support Household Support Fund awards
- VI. Undertaking fraud checks to support Homes for Ukraine

Detecting and Investigating Fraud

The highlights for this stream include;

- I. 16 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy) and 4 Housing applications withdrawn
- II. £1,347,026.22 savings delivered, consisting of £286,232.71 cashable savings including £31,010.00 civil penalties applied and paid, £25,107.48 arising from work with DWP and £1,060,793.51 value for money savings. Value for money (VFM) savings includes preventing unnecessary expenditure and loss of future income (Table 2)
- III. Continuing to provide intelligence to support Modern Slavery and Organised Crime Groups and to support the Rogue Landlord Initiative
- IV. Working with the Councils Financial Investigator to maximise income where appropriate
- V. Continuing to participate in the Council Tax Single Person Discount Review which commenced in September 2019.
- VI. The team has played a significant role in the Covid-19 Business Support Grant scheme providing operational support, post payment fraud checks, data-matching, development of the post payment assurance plan and leading on debt recovery.
- VII. The team undertakes checks on Council Tax exemptions.
- VIII. The team has provided fraud checks on applications for Household Support Fund and Homes for Ukraine.

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;

- I. Social care and direct payments
- II. Homeless team/RTB team
- III. Housing Benefits
- IV. Revenue & Economic regeneration – providing post payment assurance and fraud checks to support the Covid-19 discretionary Business Support scheme.

The overall savings breakdown for the team in the 2022/23 financial year is shown in Table 4 below.

Table 4 - Counter Fraud Team Savings Breakdown 2022/23

| Description | Number | VFM Saving* £ | Actual Saving/Income £ |
|---|--------|---------------------|------------------------|
| Council Tax | | | |
| Council Tax single person discounts removed | 62 | 43004.06 | 40,986.34 |
| Local Council Tax Support | 25 | 7334.67 | 23,917.56 |
| General change in liability | 10 | N/A | 25,242.62 |
| Housing Benefit | | | |
| Housing Benefit cancelled / reduced | 21 | 42,234.78 | 151,575.59 |
| Housing | | | |
| Illegal succession, sublet, breach of tenancy** | 16 | 744,000 | |
| Housing Application stopped | 4 | 13,120.00 | |
| Right to Buy | 4 | 211,100.00 | |
| Civil Penalties | 443 | | 31010.00 |
| Other DWP related | | | 13500.00 |
| Total values | | 1,060,793.51 | 286,232.71 |

*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.

5. Counter fraud policy

The Council's "Counter Fraud, Bribery and Corruption Policy and Framework" document was approved by the Audit and Governance Committee on 26th January 2022. No amendments were made to the document in 2022/23.

6. Overall approach to fraud risks

The Council's Strategic Risk Register for 2022/23 contained the following risk:

SR31/CR28 - Fraudulent activity within the organisation (DCC).

It identified seven controls, of which four were evaluated as in place during 2022/23.

- Strong system of internal controls in place to deter and detect fraud across the organisation as evidenced by internal and external audit;
- Carry out scheduled reviews of all anti-fraud policies and procedures;. (Reviewed 3 yearly)
- Whistle-blowing policy in place; and
- Contract Procedure Rules in place and current.

The three controls identified and evaluated as not in place were:

- Fraud risk training / awareness training provided across the council;
- Ownership structure defined from top to bottom of the organisation; and
- Departmental level risks are documented and managed appropriately and monitored regularly.

There were three additional actions in place:

- Ensure that Heads of Service record and produce a risk management plan for fraud risk in their area – on hold.
- Clear risk and issue escalation and tracking process to be established – to include early warning indicators - on Track
- Update the Financial Procedure Rules – On Hold

The Head of Internal Audit and the Senior Counter Fraud Investigator had concerns that the inclusion of a single fraud risk on the Strategic Risk Register created the problem of treating fraud on a very generic basis given the variety of categories of fraud that can occur. At the time of the Quarter 3 review (January 2023) and following conversations between the Risk Management team and the Head of Internal Audit and the Senior Counter Fraud Investigator, it was decided to split the risk between internal and external fraud. As such, the risk was redefined in Quarter 4. The risk title and description was changed to identify as two separate risks,

SR31/CR28(a) - "Internal Fraudulent activity affecting the organisation (DCC)"

SR31/CR28(b) - "External Fraudulent activity affecting the organisation (DCC)"

No changes were made to the risk scores, but two controls were added to the internal risk:

- Cash handling policies in place
- Authorisations control in place

Both controls were deemed to be in place as at quarter 4.

The Council's Corporate Risk Management Group (CRMG) recommended at its meeting in March 2023 to de-escalate the two fraud risks to Directorate level for

Quarter 4 reporting. This recommendation was accepted by the risk owner and updaters.

Internal audit reviewed the management of fraud and corruption risks within the Council. This work was to help shape the focus of future internal audit work on the counter fraud framework. It also reviewed the robustness of the “Counter Fraud, Bribery and Corruption Policy and Framework” document to highlight areas for consideration at its next formal review.

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

There were no reports of potential Money Laundering made under the Council’s Counter Fraud, Bribery and Corruption Policy and Framework in 2022/23.

8. **Bribery Act 2010**

There were no reports of suspicions of bribery made under the Council’s Counter Fraud, Bribery and Corruption Policy and Framework in 2022/23.

9. **Public Interest Disclosure Act 1998**

There were four disclosures made under the Council’s Whistleblowing Policy in 2022/23. These are detailed in Table 5 below.

Table 5 : Whistleblowing Disclosures 2022/23

| Case Number | Description | Progress/Outcome |
|-------------|--|--|
| 23/1 | Lack of compliance and/or breach of DCC policies and procedures and financial /contract procedure rules. | Fact finding investigation carried out. Evidence to support a number of the allegations. |
| 23/2 | Protected Disclosure around conduct of officers on an investigation | Treated as a complaint. Investigation on-going |
| 23/3 | Not following proper recruitment procedures | Investigation undertaken. Although the process had not followed Council guidelines strictly to the letter, the most appropriate steps available, given the timeframe, had been taken. No action recommended. |
| 23/4 | Number of incidents at a Council establishment | Management have investigated the concerns and found no wrong doing or evidence to support the concerns. |

The Whistleblowing Policy was reviewed in 2022/23 and approved by the Audit and Governance Committee at its meeting on 25th January 2023. The review of the Whistleblowing Policy brought the policy up to date with developments in the law and made the reporting process (ultimately to the Monitoring Officer) clearer.

10. **Regulation of Investigatory Powers Act (RIPA) 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). Part I activity (access to communications data) is undertaken, on behalf of all local authorities, by the National Anti-Fraud Network (NAFN). As part of the statutory framework within which those powers are exercised, the Investigatory Powers Commissioners Office (IPCO) requires each regulatory authority that undertakes surveillance activity to put in place governance arrangements that provide decision makers with oversight in respect of the use of surveillance tactics within the authority specifically, in relation to numbers, type and the integrity of the records system.

The Council is obliged to maintain a central record of all applications made using the RIPA procedures regardless of whether they have been authorised or refused by either of its Authorising/Designated Officers, the National Anti-Fraud Network (NAFN) (in respect of communications data applications) and/or the local magistrates' court.

The authorisation, review, renewal/extension and cancellation of covert surveillance requests are recorded in the Council's central register of authorisations. The central record is maintained by Legal Services.

During the 2022/23 administrative year, there were no applications made for either directed surveillance or the use of covert human intelligence sources (CHIS) under Part II of RIPA.