POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	22nd November 2021		
TITLE:	Fraud & Corruption Half Year Progress Report 2021-22		
TYPE OF REPORT:	Update		
PORTFOLIO(S):	Cllr Dickinson, Finance		
REPORT AUTHOR:	Jamie Hay, Senior Internal Auditor		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	*No*

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:
This report is aimed to provide Members with an update on total fraud and error detected in respect of applications and claims received by the Council, debtor tracing activities and progress on National Fraud Initiative (NFI), FraudHub and Single Person Discount exercises/projects currently being undertaken for the period April 2021 to September 2021. It also provides details of the Council's RIPA activities (for the period 2020/21) and sets out the pipeline of upcoming projects and anti-fraud and anti-corruption related activities that will be undertaken/progressed in the second half of the year and beyond.
KEY ISSUES:
Section 5 of the Anti-Fraud & Anti-Corruption Policy recognises that the Council as a large organisation is at risk of loss due to fraud and corruption both internally and externally. The Policy sets out the approach that the Council uses to manage the risk of fraud and corruption and minimises the losses incurred. Section 19 of the Policy outlines that the Council has adopted the Cabinet Office's national "Report Calculations" for measuring fraud loss where appropriate and uses local calculation methodologies where it feels local weighting should be applied and to furthermore be consistent with other member local authorities of the Norfolk FraudHub. The Fraud & Error report is presented to show how the Council is performing against the Anti-Fraud & Anti-Corruption Policy for Audit Committee to review the effectiveness of the policy and how the Council measures against the national counter-fraud standards (as set out within the Anti-Fraud & Corruption Policy and the Fighting Fraud & Corruption Locally 2020 standards), including where appropriate details of corrective action where standards have not been met. The reports will include details of the level of fraud loss and where appropriate cases arise will support a communication programme to publicise fraud and corruption cases.
OPTIONS CONSIDERED:
Not applicable
RECOMMENDATIONS:
Members are asked to note the update of the anti-fraud & anti-corruption work.
REASONS FOR RECOMMENDATIONS:
Fraud and Error reports are to be presented by Internal Audit to the Audit Committee on a

half-yearly basis, to show how the Council is performing against the Anti-Fraud & Anti-Corruption Policy.

REPORT DETAIL

1. This report is aimed to provide the following in respect of the period April 2021 to September 2021:

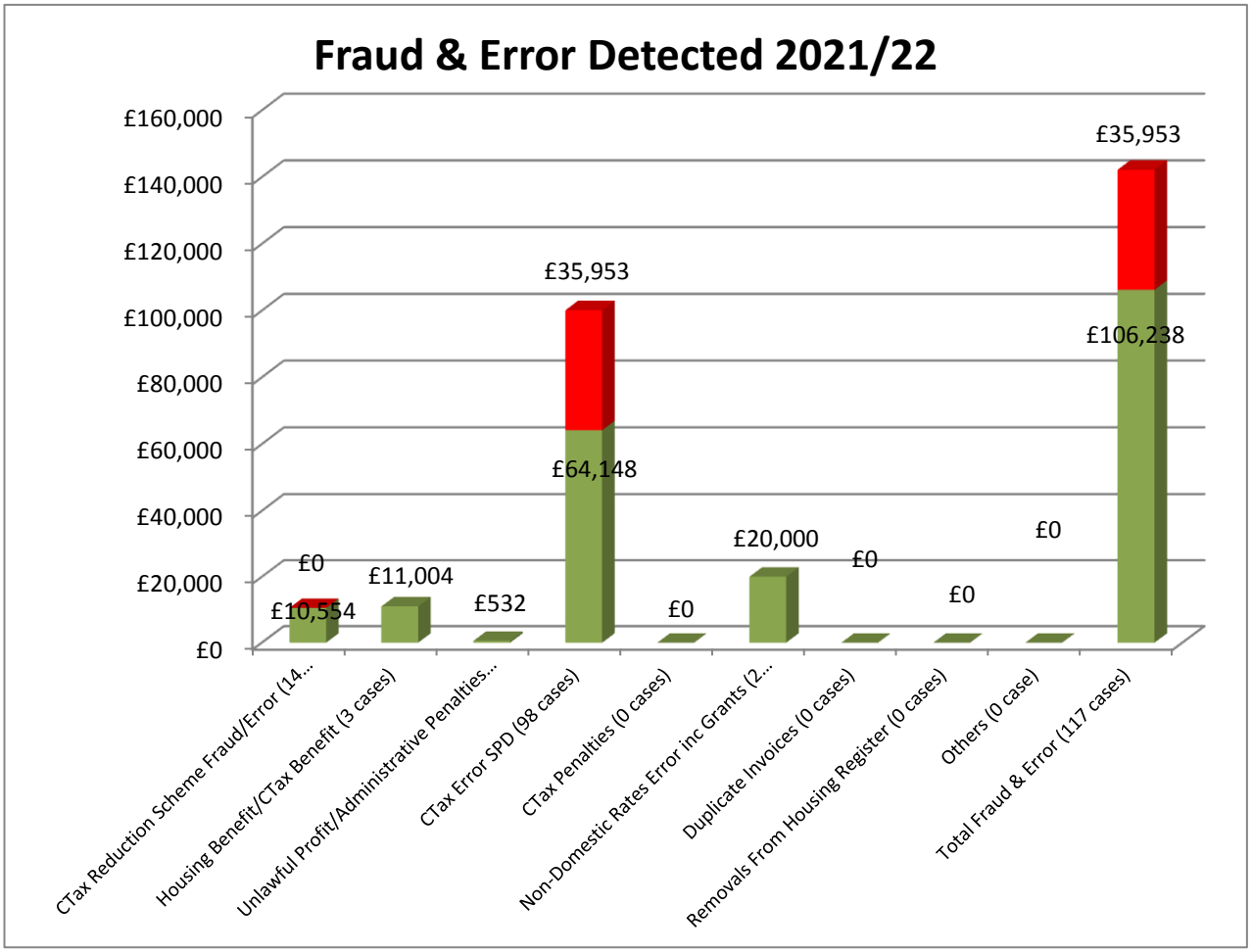
- Total fraud and/or error detected, in respect of applications and claims received by the Council which have been deemed to have been false, incorrect, or where there has been a failure to declare a relevant change in circumstances which has resulted in the applicant/customer receiving a financial gain or where an error has been identified and amended because of the investigation.
- Debtor tracing activities provided to areas of the Council who have required assistance/support from the internal investigation resource within the Internal Audit team.
- National Fraud Initiative (NFI), FraudHub and Single Person Discount exercises/projects currently being undertaken and progress.

This report also provides details of:

- The Council's RIPA activities (for the period 2020/21) Directed Surveillance operations, the use of Covert Human Intelligence Sources, the acquisition of communications data.
- The pipeline of upcoming projects and anti-fraud and anti-corruption related activities that will be undertaken/progressed in the second half of the year and beyond.

<u>Fraud/Error Detection</u>

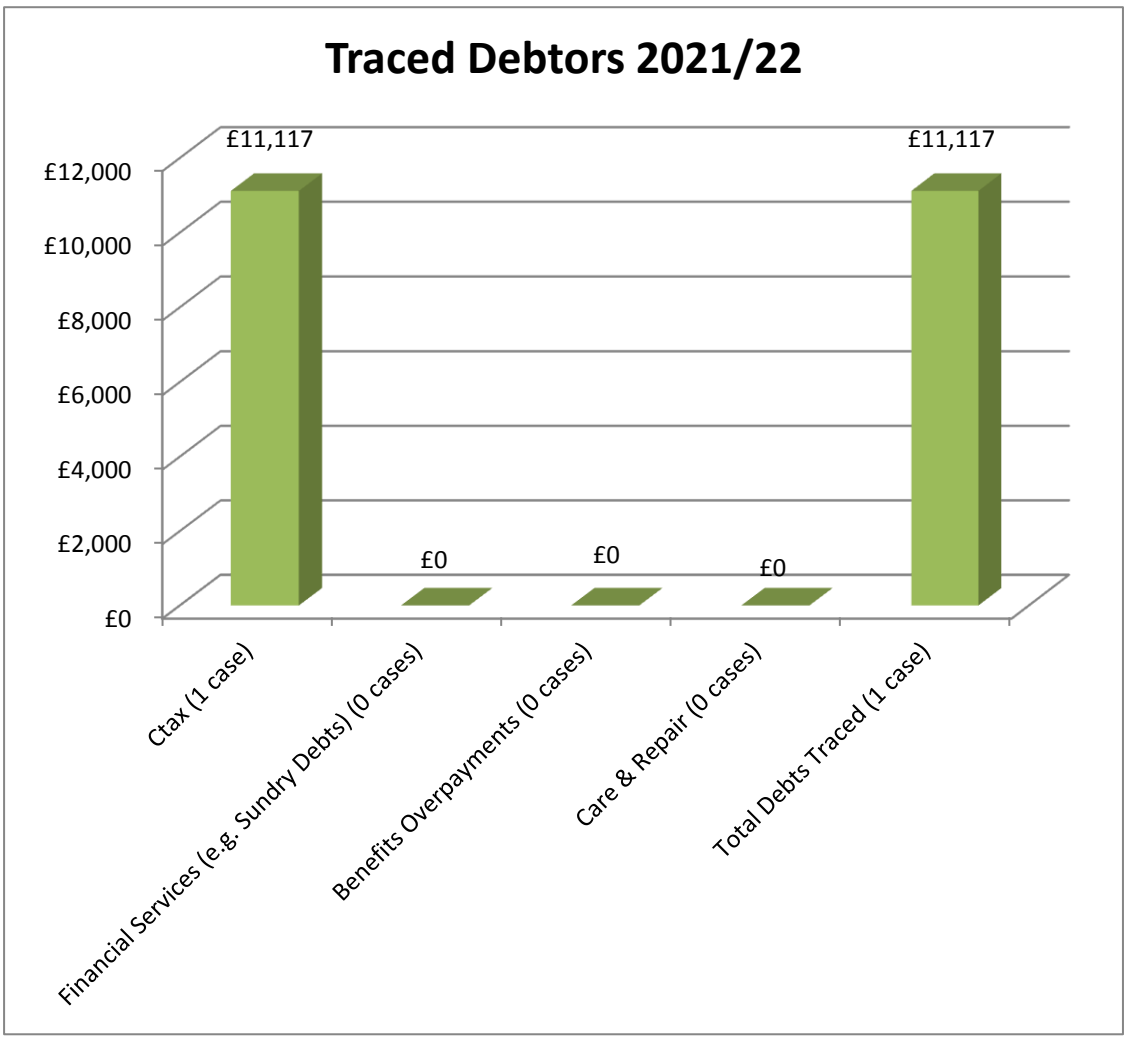
1.1 The total fraud and error identified during 2021/22 YTD:



1.2 The above chart shows the actual fraud and error detected in green and the future savings that have been identified because of stopping the fraud and error from continuing in red, these are calculated using a national calculation methodology which has been adopted by all members of the Norfolk FraudHub.

Debtor Tracing Activities

1.3 Debtor/Absconder investigations services have continued to be offered across the Council for specific or immediate cases where requests for assistance/support are made to the Internal Audit section to attempt to trace customers who had not advised of their address/contact information but have outstanding arrears with the Council. Where a successful trace has been made any new address/contact information is being passed on to the relevant section for recovery purposes, due to the reliefs being given because of the Covid-19 pandemic there has been a pause in the number of cases being passed through to be considered. The following values of Debtors/Absconders have been identified during April 2021 to September 2021:



Other Identified Errors

1.4 Other investigation work has resulted in 9 Council Tax accounts being amended from a Single Person Discount award to a Student Disregard/or another disregard status (the council tax liability has not changed but future fraud and error may have been prevented)

National Fraud Initiative Exercises

1.5 As part of the investigation work conducted, data matching exercises are carried out with the Cabinet Office's National Fraud Initiative, these exercises cross-over financial years and form part of the fraud and error figures stated above at 1.1.

There are currently two themes of National Fraud Initiative (NFI) reporting being completed:

1) The NFI National Exercise – This is a council wide data matching exercise, focusing on all possible areas of the council including Creditors, Payroll, Council Tax and Housing Benefits. This exercise is undertaken every two years.

2) The Flexible Matching Service – This is carried out annually, focusing primarily on Council Tax data matches in need of investigation. The Flexible Matching Service deals with matches mainly consisting of:

- Council Tax Single Person Discount (SPD) - the outstanding matches are for Council Tax accounts that do not match Electoral Register information that require further investigation.
- Additionally, some matches refer to details where the second adult is due to turn 18 between now and the end of the financial year.

1.6 Further data matches against HMRC data are expected between the middle of October and the end of November for both Benefits and Council Tax purposes, with data matched against income details, capital details, household composition details, and property ownership details held by HMRC.

The Norfolk FraudHub

1.7 The Norfolk FraudHub project has continued from its inception in 2019/20 to date, allowing fraud and error to be detected within systems earlier by carrying out data matching exercises of key data sets more frequently between all 7 district authorities in Norfolk and Norfolk County Council. This work also provides further assurance that claims, and applications are genuine, and that information and data recorded in our systems is consistent and accurate. It is hoped that new data matching options can also commence within the Norfolk FraudHub (resources permitting) including Business Rates data matching exercises for the purposes of identifying potential Small Business Rates Relief fraud and error.

1.8 As part of the Norfolk FraudHub project a Steering Group is also in place where best practices and knowledge is shared across each of its 8 member organisations including details on emerging and new fraud risks/threats.

Single Person Discount Project

1.9 The Single Person Discount project (funded by Norfolk County Council) has continued and is currently in year 2 of the project with further funding negotiations underway to extend the initial 2-year project with an agreement "in principle" for a third year (in 2022/23). This will also look to expand the project over new areas highlighting further fraud and error such as Empty/void property checks and

Business Rates (when this is released into the FraudHub by the Cabinet Office a date still to be determined). This work has been a success to date highlighting 362 errors with a total value identified of £258,339.76 since it commenced in 2020/21.

Overall Data Matching Activities

1.10 Below is a table outlining the number of data matches that have been received, processed, errors identified, and value identified during 2021/22 year to date. (these figures are included within the above figures at 1.1 where matches have been processed during the period 2021/22 only):

Exercise	Matches Received as at 30/09/21	Matches Processed as at 30/09/21	Matches left as at 30/09/21	Errors identified as at 30/09/21	Value identified as at 30/09/21
NFI National Exercise 2018/19	42	42	0	0	£0.00
NFI FMS 2019 (inc. HMRC 2019)	223	215	8	43	£52,964.42
Norfolk FraudHub 2019/20	1,135	34	1,101	0	£0
NFI Premium 2020/21	326	317	9	65	£67,389.65
NFI National Exercise 2020/21	573	0	573	0	£0.00
NFI FMS 2021/22	4,195	1,388	2,807	0	£0.00
TOTAL	**6,494**	**1,996**	**4,498**	**108**	**£120,502.07**

Covid-19 Business Grants

1.11 A Post Assurance Audit of the Business Grant Schemes for National Lockdown 1 (March 2020 to September 2020) is now being concluded. A total of 3,451 grants were paid during this period. The post assurance audit has highlighted 125 accounts for further checks to be carried out (these have been passed back to the Revenues Team for further checking). 2 cases have been highlighted where grant payments have been requested to be repaid in line with guidance provided by the Department for Business, Energy & Industrial Strategy. Instances of where the assurance audit has highlighted further checking include to:

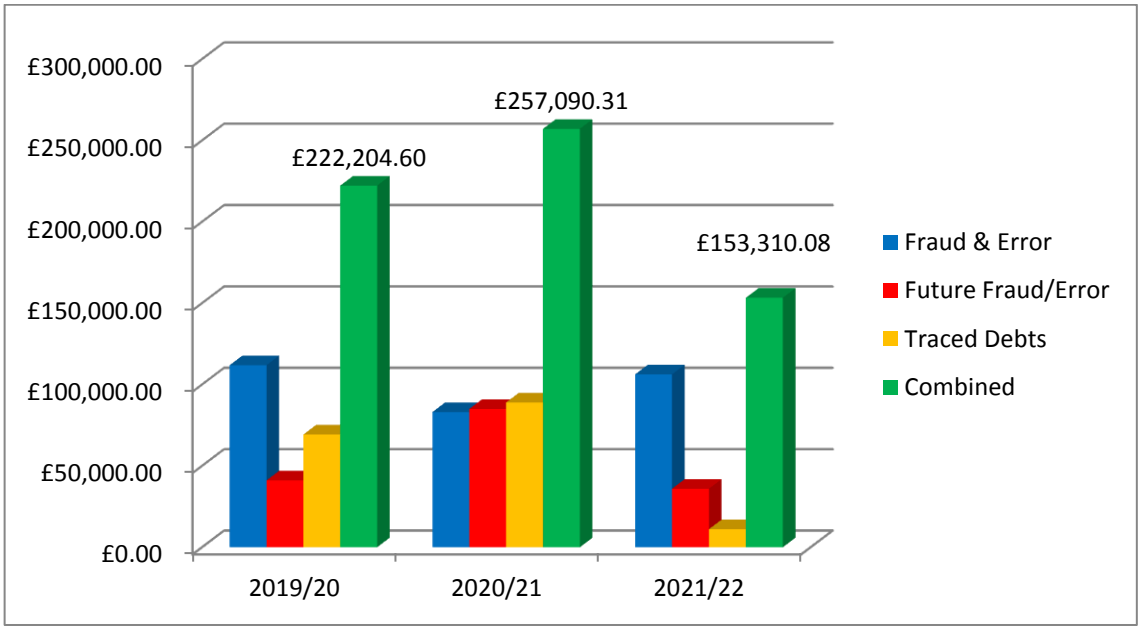
- Review if the business ceased trading prior to 11/03/20
- Review if the hereditament is for business or personal use
- Review if the correct liable party was held as at 11/03/20
- Review if there should be Small Business Rate Relief awards in place for the hereditament
- Review if the business has vacated the hereditament prior to 11/03/20

Joint Working/Collaboration Activities

1.12 Joint working with the Department for Work & Pensions Single Fraud Investigation Service on cases of suspected Council Tax Reduction Fraud where DWP benefits are also under suspicion of fraud was suspended by the DWP with immediate effect because of the Covid-19 pandemic and there has been no recent contact from the DWP to clarify confirm when this will resume.

Overall Performance

1.13 During the first half of the financial year 2021/22, investigations have been conducted into **2,015** cases of fraud and error. Below are the results from investigations during the past 3 financial years to show how this year's work is shaping as a comparison:



Policy Updates

1.14 The "Fighting Fraud & Corruption Locally 2020's" national fraud and corruption strategy was released in March 2020 and was reviewed resulting in the review and update of the Anti-Fraud and Corruption Policy presented to the Audit Committee in December 2020. The policy was formally approved on 8 July 2021.

Publicity

1.15 There have been no suitable cases identified during the 2021/22 year to date for publication. These would generally be cases that involve criminal proceedings.

Projects/Future pipeline of activities

1.16 Future work during 2021/22 include:

- Post assurance exercise being undertaken in respect of the Covid-19 business grants paid during National Lockdown 1, which is nearing completion with a report to follow.

- Discussions are ongoing with Anglia Revenues Partnership for the trial of a new software product called "IDIS" which can undertake risk analysis using credit

reference data to enable further projects to potentially be considered. The initial focus will be completion of the relevant Privacy Impact Assessments and then a pilot exercise using data matches already held for analysis of the output results. Following any successful trial further projects could be considered such as new Single Person Discount awards (identifying fraud and error earlier) and empty/void property checks to establish potential liability avoidance customers and spurious liabilities as well as establish new customers sooner and reducing the accumulation of aged debt.

- The Senior Auditor is a member of the Cabinet Office's FraudHub user group and is assisting with other local authorities in shaping the services and data matching activities provided through the NFI and FraudHub. There are some future innovation themes being considered for development by the Cabinet Office that will be fed out nationally to local authorities and other government organisations to help fight fraud and corruption.

RIPA

1.17 Having liaised with the Borough Council's Senior Responsible Officer & RIPA Co-Ordinator for the purposes of RIPA activities (i.e., Directed Surveillance operations, the use of Covert Human Intelligence Sources, the acquisition of communications data), it can be confirmed that there were no such instances of the use of RIPA Powers by the Council during the 2020/21 financial year.

1.18 A review of the Council's RIPA Policy has been undertaken and it is currently out for consultation to ensure its compliance with legislation, as well as the introduction of a Non-RIPA Policy and set of procedures for areas of investigation that may include surveillance, the use of a Covert Human Intelligence Source, or the acquisition of communications data where the activity may fall outside of RIPA (this would usually be where crime thresholds have not been met).