

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:			
TITLE:	Fraud & Corruption Full 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:
<p>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 March 2022.</p> <p>It also provides details of the pipeline of upcoming projects and anti-fraud and anti-corruption related activities that will be undertaken/progressed during 2022/23 financial year.</p>
KEY ISSUES:
<p>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.</p> <p>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.</p> <p>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.</p>
OPTIONS CONSIDERED:
<i>Not applicable</i>
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 March 2022:

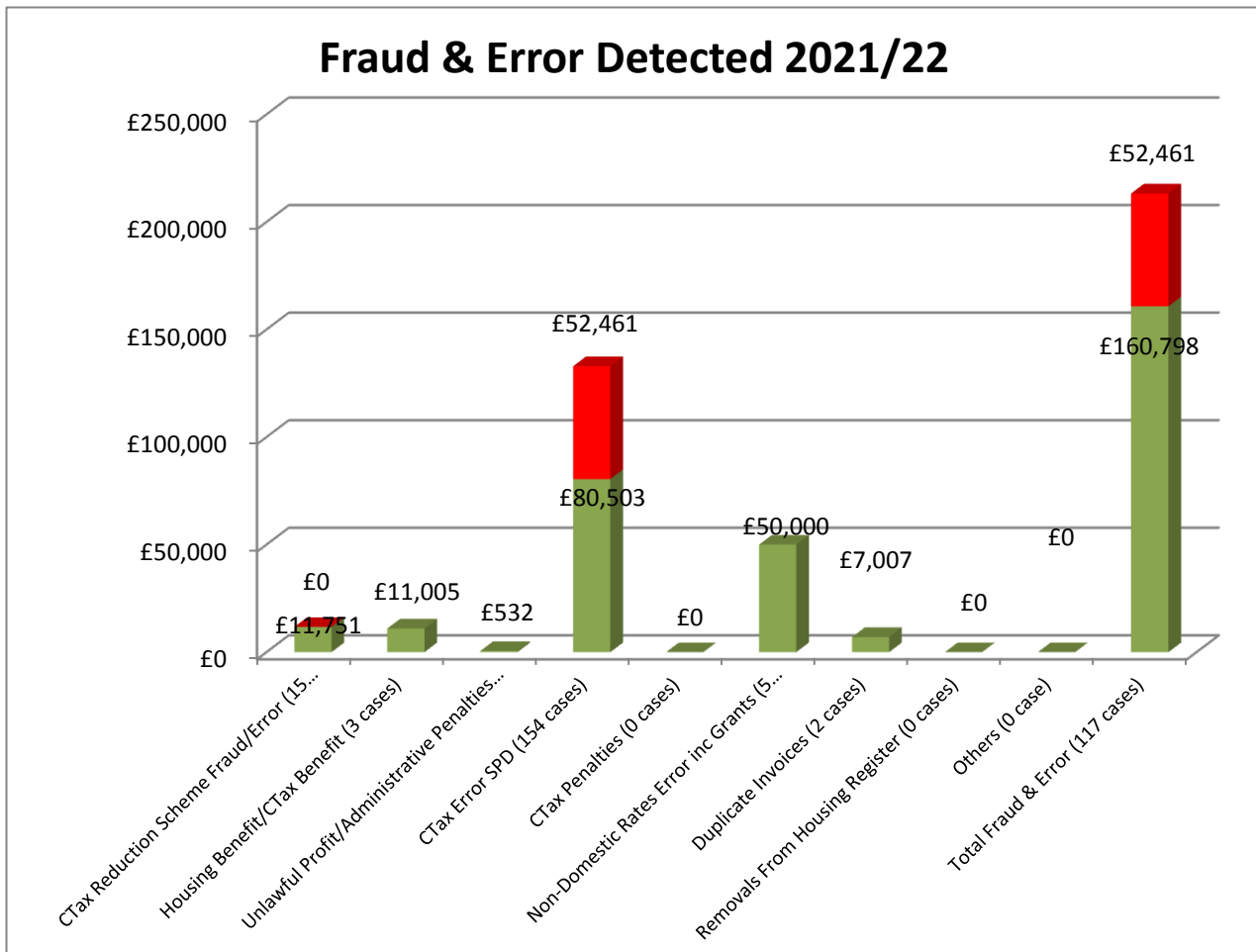
- Total fraud and/or error detected, in respect of applications and claims received by the Council which have been deemed to have been false, incorrect, or where there has been a failure to declare a relevant change in circumstances which has resulted in the applicant/customer receiving a financial gain 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 pipeline of upcoming projects and anti-fraud and anti-corruption related activities that will be undertaken/progressed during 2022/23 financial year.

Fraud/Error Detection

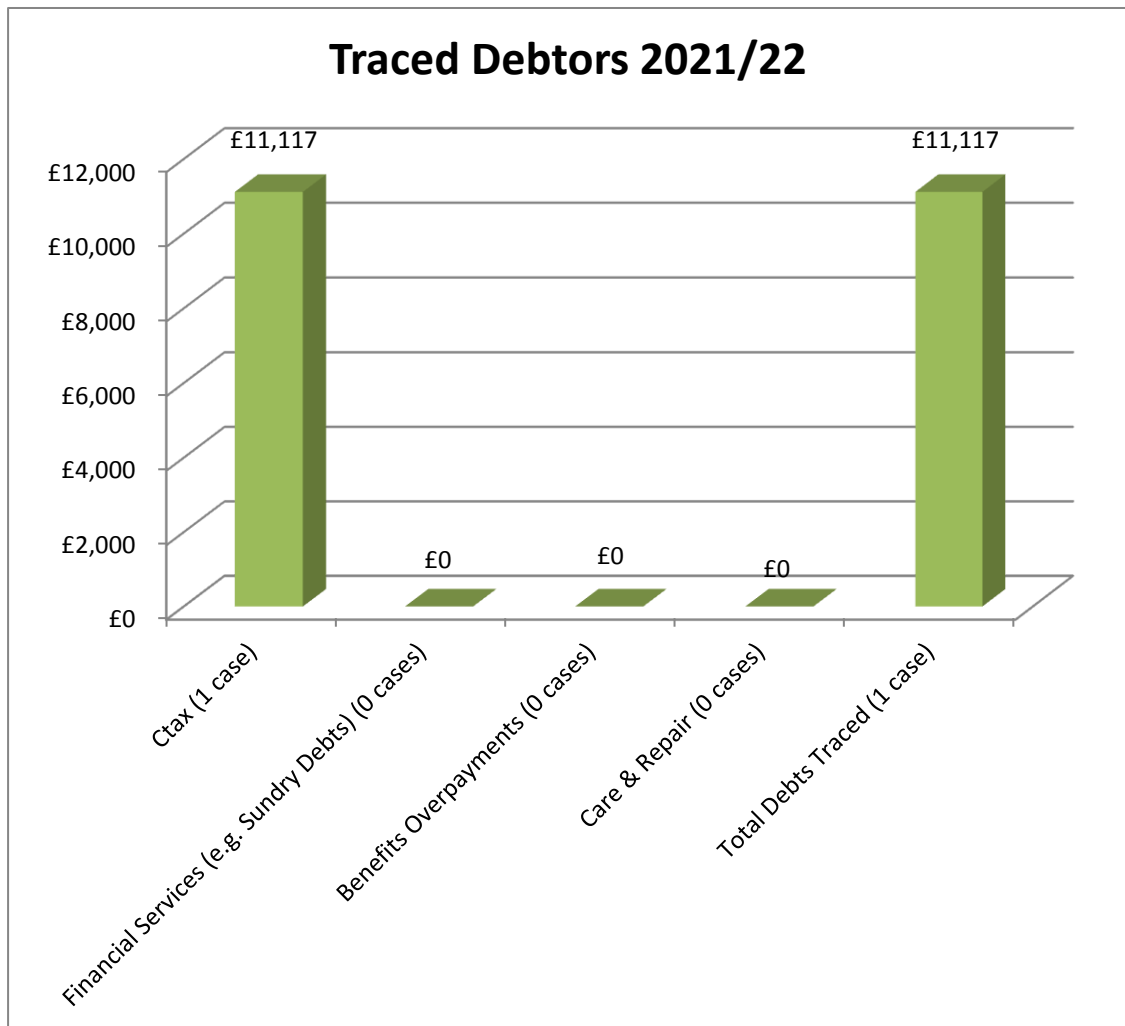
1.1 The total fraud and error identified during 2021/22:



- 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 from 1 April 2021 to 31 March 2022:



Other Identified Errors

- 1.4 Other investigation work has resulted in 29 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:
- a) 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.
 - b) 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 received on an annual basis 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, and the National Fraud Initiative is continuing to grow.

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 these are still in the process of being introduced.
- 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, there are data matches that have unfortunately had to be brought forward into 2022/23 due to resourcing issues because of the additional Business Grants/Council Tax Energy Rebate work being administered by the Revenues Department. Further funding of £42,114.60 for conducting the project and a further £6,426.84 (plus VAT) for the data matching fees has been agreed for 2022/23 financial year through Norfolk County Council for Single Person Discount matching to continue. We are in the process of arranging a contract with an outsourced provider to assist with the review and canvassing of these matches to alleviate the resourcing requirements of the Revenues Department. This work has been a success to date highlighting 434 errors with a total value identified of £288,624.69 since it commenced in 2020/21 for the Council.

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 31/03/22	Matches Processed as at 31/03/22	Matches left as at 31/03/22	Errors identified as at 31/03/22	Value identified as at 31/03/22
NFI National Exercise 2018/19	42	42	0	0	£0.00
NFI FMS 2019 (inc. HMRC 2019)	223	223	0	45	£54,378.40
Norfolk FraudHub 2019/20	1,290	623	667	0	£0.00
NFI Premium 2020/21	326	326	0	69	£72,300.68
NFI National Exercise 2020/21	579	286	293	2	£7,007.17
NFI FMS 2021/22 (inc HMRC 2021)	5,856	3,585	2,271	66	£23,959.92
Premium SPD 21/22	1,901	516	1,385	0	£0.00
TOTAL	10,217	5,601	4,616	182	£157,646.17

Covid-19 Business Grants

1.11 A Post Assurance Audit of the Business Grant Schemes for National Lockdown 1 (March 2020 to September 2020) has been conducted. A total of 3,451 grants were paid during this period. The post assurance audit highlighted 125 accounts for further checks to be carried out (these were passed back to the Revenues Team for further checking). 5 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, each grant award having been £10,000.00 (Small Business Grant award):

- 4 grants were found to have been paid to businesses that had subsequently ceased trading and were therefore not eligible to claim the grant in the first instance.
- 1 grant was found to have been paid in error due to an incorrect liable party having been set up for Business Rates purposes prior to the business grant schemes coming into existence.

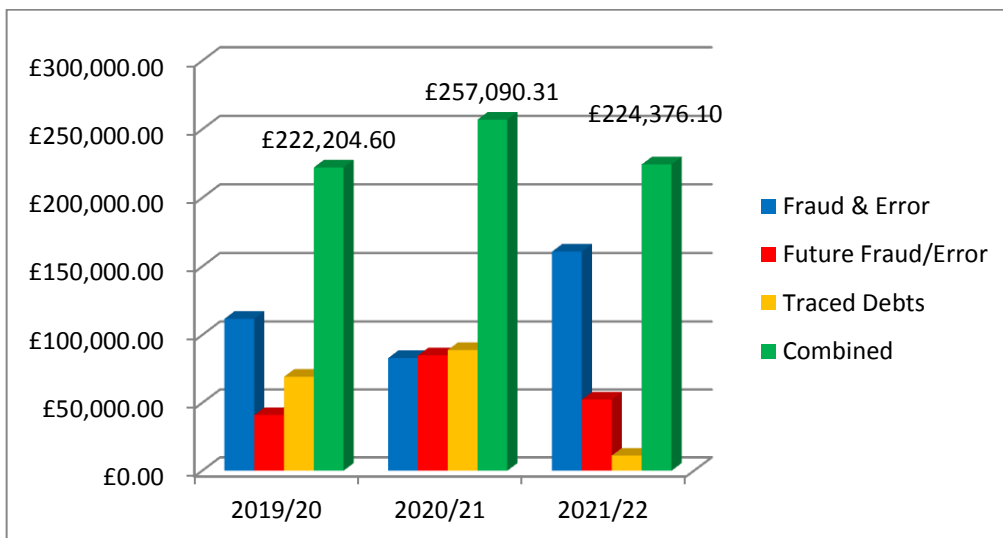
As such a total of £50,000.00 in fraud /error has been identified within the National Lockdown 1 grant scheme because of the post assurance audit being undertaken. A further case is still being investigated for eligibility purposes. The 5 cases already identified have now been invoiced and are to be escalated to BEIS (The Department Business, Energy & Industrial Strategy) should no response be made.

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 financial year 1 April 2021 to 31 March 2022, investigations were conducted into **5,617** cases of fraud and error. Below are the results from investigations during the past 3 financial years 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 for publication. These would generally be cases that involve criminal proceedings.

Projects/Future pipeline of activities

- 1.16 Future work during 2021/22 include:
- Council Tax Energy Rebate Scheme Fraud Risk Assessment, to identify potential risk areas and subsequent mitigation and controls that can be implemented to reduce those risks.
 - As a result of the knock-on effect of the Covid-19 pandemic, with the delivery of the OMICRON grant schemes, and the development and implementation of the Council Tax Energy Rebate Scheme there has been no available resource available to assist within the Revenues team since the beginning of January 2022 for the processing of the single person discount data matches and canvassing of the reviews. As such, other delivery options have been explored and contract negotiation and project development for the outsourced provision of Single Person Discount canvassing review of the remaining 3,323 customer accounts identified through data match files is ongoing. A provider has been identified and contract negotiations are near completion. It is intended to apply new burdens funding to cover the cost of back fill of resources for this work
 - A trial of a software product called “IDIS” is being considered and discussed with Anglia Revenues Partnership. This product has the capabilities to undertake risk analysis using credit reference data. This in turn could enable further anti-fraud projects to potentially be considered. The initial focus has been on the completion of a Privacy Impact Assessment, Privacy Policy review, data sharing arrangements, ICT security requirements, and negotiation of terms with Anglia Revenues Partnership on the use of the product in conjunction with the software provider. It is then intended to consider a small sample of data matches held where a match has been received because of address mismatches within and between authorities for Council Tax Reduction Scheme customers 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)
 - 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. This will look to expand the data matching remit

nationally over new areas highlighting further fraud and error such as Empty/void property checks and Business Rates.

- In addition to this in February 2021 a 12-week consultation was launched on the proposed extension of the legislative data matching powers that NFI uses to permit matching to:
 - Assist in the prevention and detection of crime (other than fraud)
 - Assist in the apprehension and prosecution of offenders
 - Assist in prevention and detection of errors and inaccuracies
 - Assist in the recovery of debt owing to public bodies
- As a result of the consultation, it is expected that the NFI remit for data matching will grow and continue to grow to include these new areas under the legislative extension. This is therefore likely to result in data matching exercises more widely across the authority. As shown in the table at 1.10, the council already receives over 10,000 data matches during the financial year. This process involves the extraction of the data sets from our back-office systems, cleansing/formatting the data into the appropriate upload format, securely uploading the data. The NFI then analyse the data and cross match it against other data sets from local authorities and government organisations across the UK and send back data matches where discrepancies have been identified. Each data match is then checked to confirm if it is a known change or a potential false positive or if our record requires further checks or the record of the other authority requires further checks. Based upon previous experiences of new data sets being provided it is likely that there will be a higher number of matches returned initially which will be due to false positives in the data, and where discrepancies have been highlighted that require further checks to be carried out. This will therefore require monitoring as to the potential resource impact on service areas that fall into those new data matching workstreams, particularly in enforcement areas, debt collection areas and other areas that investigate criminal offences.
- The Senior Internal Auditor has also been leading on the consultation and review of the RIPA (Regulation of Investigatory Powers Act) Policy and procedures, which are time tabled to be adopted in July 2022. Following this, annual reports on the activities undertaken and the effectiveness of the policy are to be taken to the Corporate Performance Panel.