

## POLICY REVIEW AND DEVELOPMENT PANEL REPORT

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| REPORT TO:      | Audit Committee                                      |   |    |
| DATE:           | 21/11/2022   |   |    |
| TITLE:          | Fraud & Corruption Half Year Progress Report 2022-23 |   |    |
| 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**

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| <b>PURPOSE OF REPORT/SUMMARY:</b>  |
| <p>1.1 This report is aimed to provide the following in respect of the period April 2022 to September 2022:</p> <ul style="list-style-type: none"> <li>• Progress towards the Anti-Fraud &amp; Anti-Corruption Key Performance Indicators assigned to the Internal Audit Department.</li> <li>• Statistical information in respect of fraud and error detection for applications and claims received by the Council deemed to have been false, incorrect, or where a relevant change in circumstances has failed to be declared resulting in a financial gain or where an error has been identified and amended.</li> <li>• Statistical information in respect of traced debts where the Internal Audit Team have been contacted for assistance.</li> <li>• Statistical information in respect of fraud and error detection for grants retrospectively identified as having been paid to customers/businesses who were not eligible.</li> <li>• Statistical information in respect of data matching activities undertaken through the National Fraud Initiative (NFI) and Norfolk Fraud Hub.</li> <li>• The pipeline of upcoming projects and anti-fraud and anti-corruption related activities that will be undertaken/progressed during 2022/23 financial year.</li> </ul>   |
| <b>KEY ISSUES:</b>   |
| <p>Section 5 of the Anti-Fraud &amp; 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 attached report is presented to show performance against the Anti-Fraud &amp; 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 &amp; Corruption Policy and the Fighting Fraud &amp; Corruption Locally 2020 standards), including where appropriate details of corrective action where standards have not been met. The report includes details of the level of fraud loss and the activities being undertaken to raise the anti-fraud &amp; anti-corruption culture across the authority.</p> |
| <b>OPTIONS CONSIDERED:</b>   |
| <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.

## FRAUD AND ERROR HALF YEAR PROGRESS REPORT 2022/23

### 1. Report overview

1.2 This report is aimed to provide the following in respect of the period April 2022 to September 2022:

- Progress towards the Anti-Fraud & Anti-Corruption Key Performance Indicators assigned to the Internal Audit Department.
- Statistical information in respect of fraud and error detection for applications and claims received by the Council deemed to have been false, incorrect, or where a relevant change in circumstances has failed to be declared resulting in a financial gain or where an error has been identified and amended.
- Statistical information in respect of traced debts where the Internal Audit Team have been contacted for assistance.
- Statistical information in respect of fraud and error detection for grants retrospectively identified as having been paid to customers/businesses who were not eligible.
- Statistical information in respect of data matching activities undertaken through the National Fraud Initiative (NFI) and Norfolk Fraud Hub.
- The pipeline of upcoming projects and anti-fraud and anti-corruption related activities that will be undertaken/progressed during 2022/23 financial year.

### 2. Key Performance Indicators

2.1 As part of the Directorate Service Plan for Resources the following Key Performance Indicators have been set for the 2022/23 financial year for the purposes of the Internal Audit Departments role in tackling fraud and error:

- To gain a Financial Investigation provision for the authority
- 5,000 completed fraud/corruption investigations (including data matching exercises) per annum

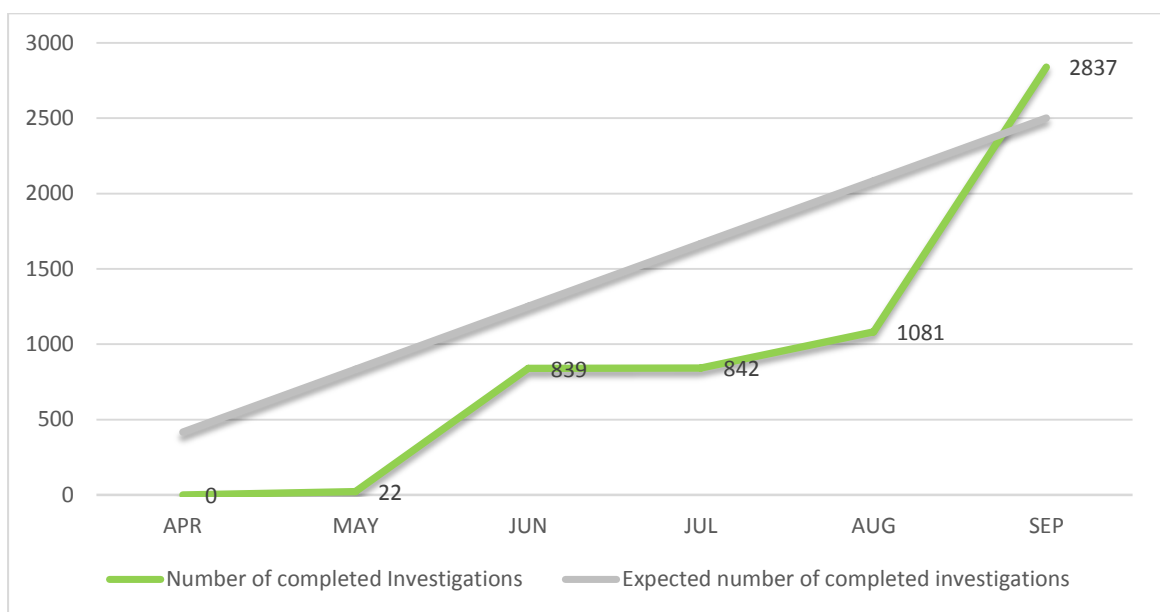
### 3. Financial Investigation Provision

3.1 A financial investigation is any investigation into a person or person's financial matters. It could also involve the investigation into the finances of a business or a private limited company. A financial investigation can determine where money comes from, how it is moved and how it is used. A careful financial investigation can potentially reveal the complex structure of major criminal organisations, leading to seizures and forfeitures crippling organisations. Money laundering offences are found in Part 7 of **Proceeds of Crime Act 2002** ('POCA'). Money laundering describes offences concerning the possession, concealment, conversion, transfer or making of arrangements relating to the proceeds of crime. A financial Investigator conducts financial investigations into the defendant's available assets, and where appropriate will prepare confiscation proceedings for presentation at Crown Court. When the Proceeds of Crime Act 2002 was launched the clear message sent out was that "Crime does not pay", this is a reference to the ability under the act to take back any "criminal benefit" or profits made as a result of crime. This can be explained as using the proceeds gained from crime, i.e., a fraud and then using that to gain additional monies or benefits from that (a criminal benefit).

3.2 A provision had been identified, a Memorandum of Understanding had been drafted, however due to a retirement the provider are unable to offer a provision due to pressures on their own needs.

- 3.3 We understand that no other local authority within Norfolk have financial investigation provisions in-house or any external provision in place.
- 3.4 We have made enquiries with a local authority in Suffolk who are understood to have in-house financial investigators to establish if they are able to offer a provision. Beyond these other options include the Police, and/or surrounding County Councils which are to be followed up.
- 3.5 Financial provisions remain in place for joint working cases with the Department for Work & Pensions, but this will only be available in relation to Council Tax Reduction Scheme investigations that include DWP related benefits.

4. Completed fraud/corruption investigations (including data matching exercises)



- 4.1 2,837 completed investigations (113.48% of the expected completed cases to date and 56.74% of the expected full year target).

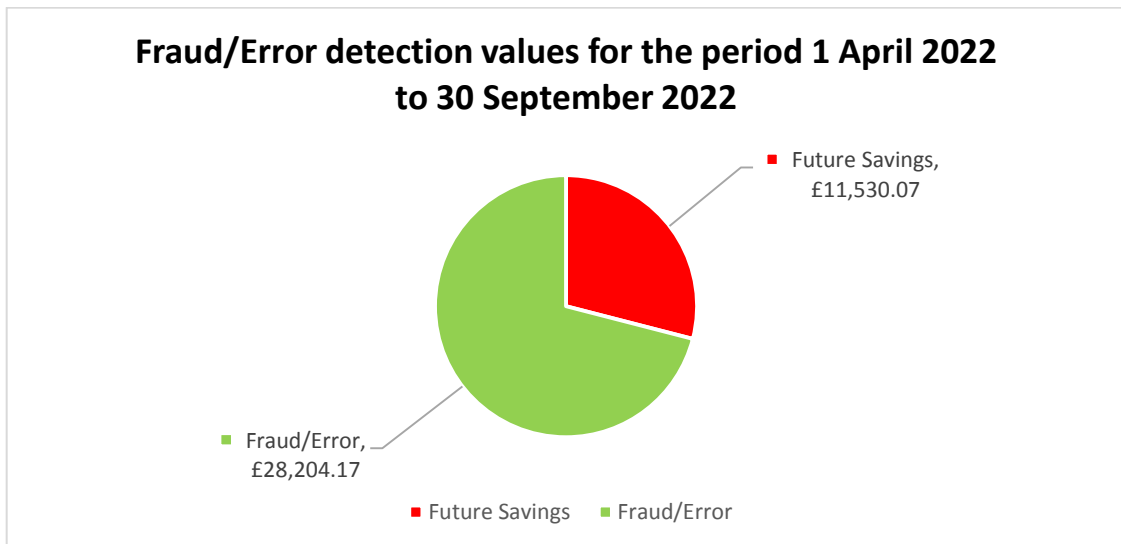
5. Overview of Fraud/Error Detection

- 5.1 The borough is made up of 74,810 residential dwellings with 23,069 receiving Single Person Discount awards. SPD is awarded to 30.83% of all dwellings in the borough.
- 5.2 There are a total of 6,747 Non-Domestic rates hereditaments across the Borough. With 4,975 of these receiving some type of relief or reduced bill. Reliefs / reduced bills are being awarded on 73.73% of all business rateable hereditaments in the borough.
- 5.3 There are a total of 9,488 live Council Tax Reduction Scheme claims in payment across the borough. With 4,409 (46.47%) claims in payment to customers of pension age and 5,079 (53.53%) claims in payment to customers of working age.
- 5.4 **A total of 34 frauds/errors identified during the period April 2022 to September 2022.**

5.5 The year to date identified fraud/error is down 68.80% compared to the first half of 2021/22 where 109 Fraud/Errors were identified. This is largely due to delays in commencement of the Single Person Discount canvass review because of no available resources within the Revenues Department to assist this work since January 2022.

- The SPD Canvass Review commenced in August 2022, we anticipate that because of this the progress against the KPI should start to even out during the next 6 months and further results in respect of value detected should begin to increase.

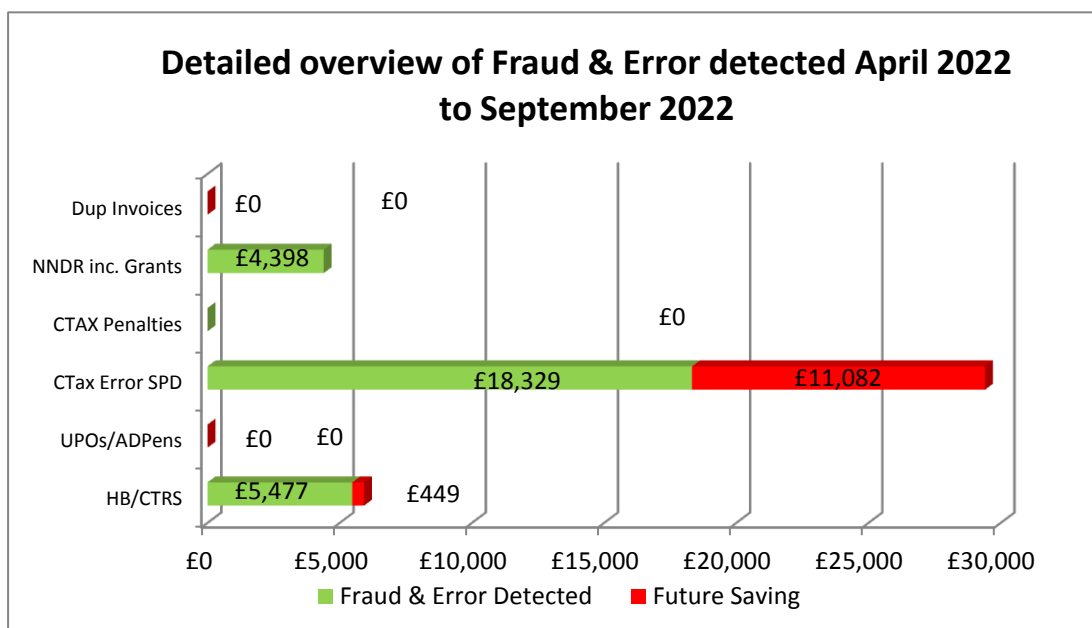
5.6



5.7 These above values are calculated using a national calculation methodology which has been adopted by all members of the Norfolk FraudHub.

6. Detailed Overview of Fraud/Error Detection

6.1

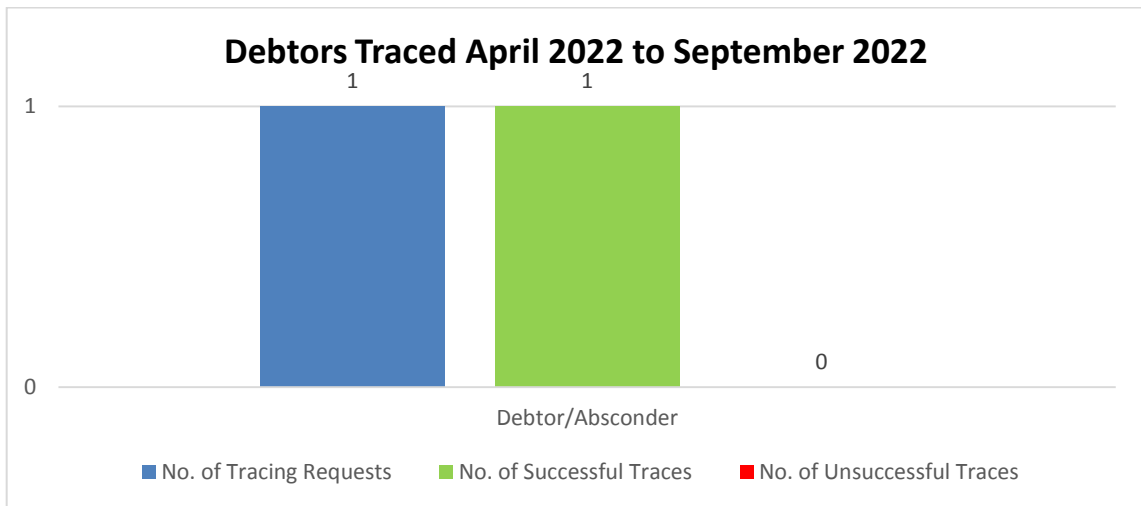


6.2 A total of **34** cases has been identified to the total value of **£39,734.24**.

7. Debtor Tracing Activities

7.1 Internal Audit assist the authority corporately through the provision of a Debtor/Absconder tracing service. This is provided where requests to attempt to trace customers with debts are received where other tracing attempts have been exhausted within the affected service area. Where a successful trace has been made any new address/contact information is provided to the service area.

7.2

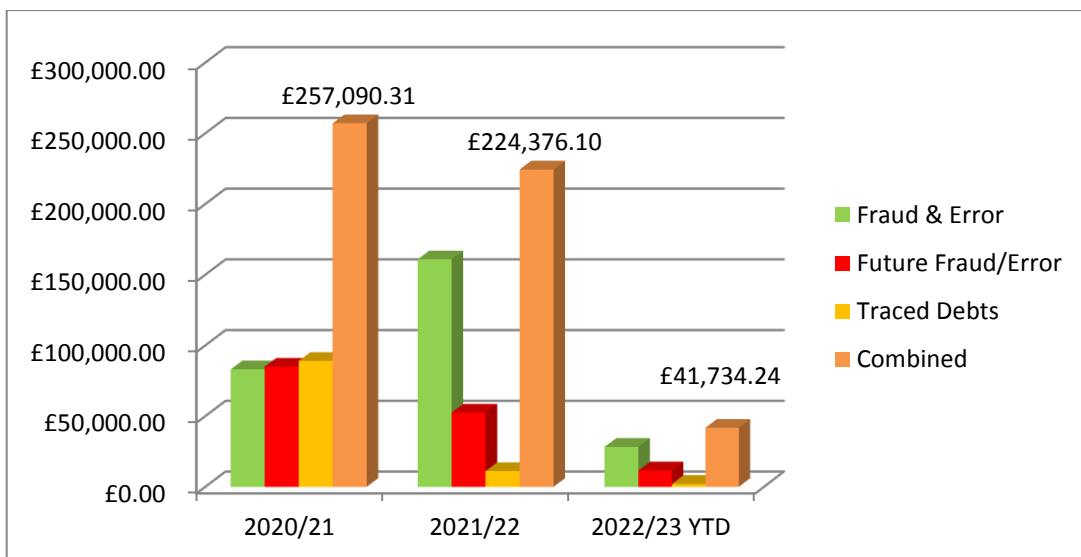


7.3 A total value of **£2,000.00\*** has been traced and passed back to the relevant departments for recovery purposes, which is broken down as follows.

*\*Initial advice charge of £2,000.00, however there is a potential for additional costs to be incurred of between £80,000.00 and £100,000.00 that may result from this successful trace.*

8. Comparison Data to Previous Years

8.1 Below are the results from investigations during the current year to date in comparison to the previous two full financial years:



9. Other Identified Errors

- 9.1 A further 3 Council Tax accounts have been 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).

10. Data Matching Activities

- 10.1 As part of the investigation work conducted, data matching exercises continue to be carried out with the Cabinet Office's **National Fraud Initiative and the Norfolk Fraud Hub**, these exercises cross-over financial years and form part of the fraud and error figures stated above.

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

10.3 NFI

- 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.
- 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.
  - Matches where the second adult is due to turn 18 between now and the end of the financial year.
  - Council Tax matches against income details, capital details, household composition details, and property ownership details held by HMRC.

10.4 The Norfolk Fraud Hub

- The Norfolk Fraud Hub was established in 2019/20, it assists in the detection of fraud and error earlier by carrying out more frequent data matching of key data sets between all 7 district authorities in Norfolk and Norfolk County Council.
- This work provides further assurance that claims, and applications are genuine, and that information and data recorded in our systems is consistent and accurate.
- As part of the Norfolk Fraud Hub 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.

11. Single Person Discount Project

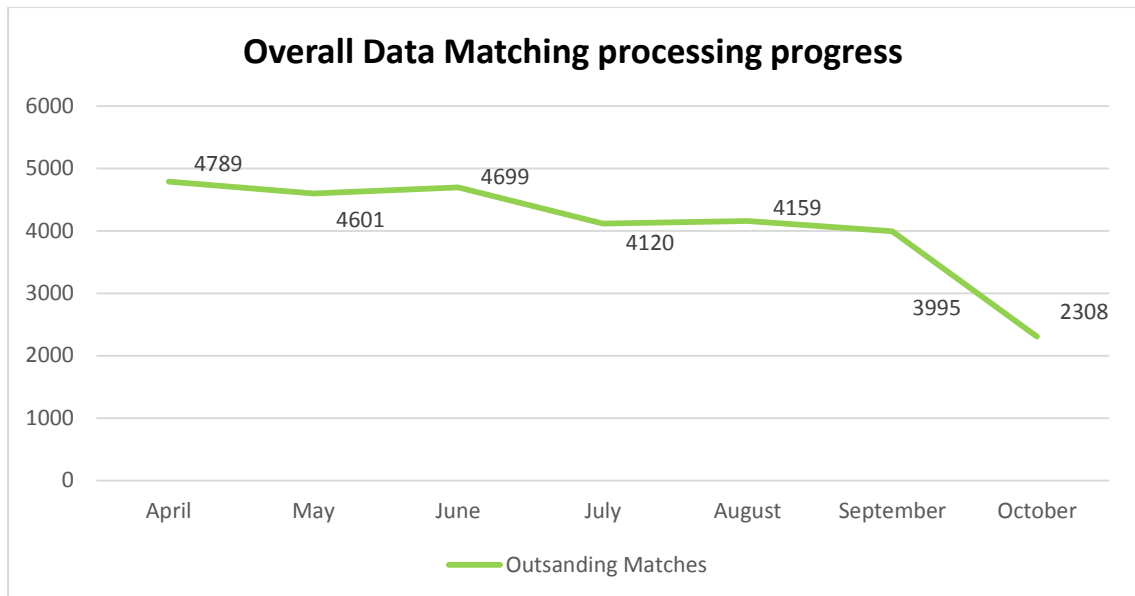
- 11.1 The Single Person Discount project (funded by Norfolk County Council) has continued and is currently in year 3 of the project. Further funding was agreed for 2022/23 of £42,114.60.

- 11.2 This work has been a success to date highlighting 466 errors with a total value identified of **£314,785.55** since it commenced in 2020/21.

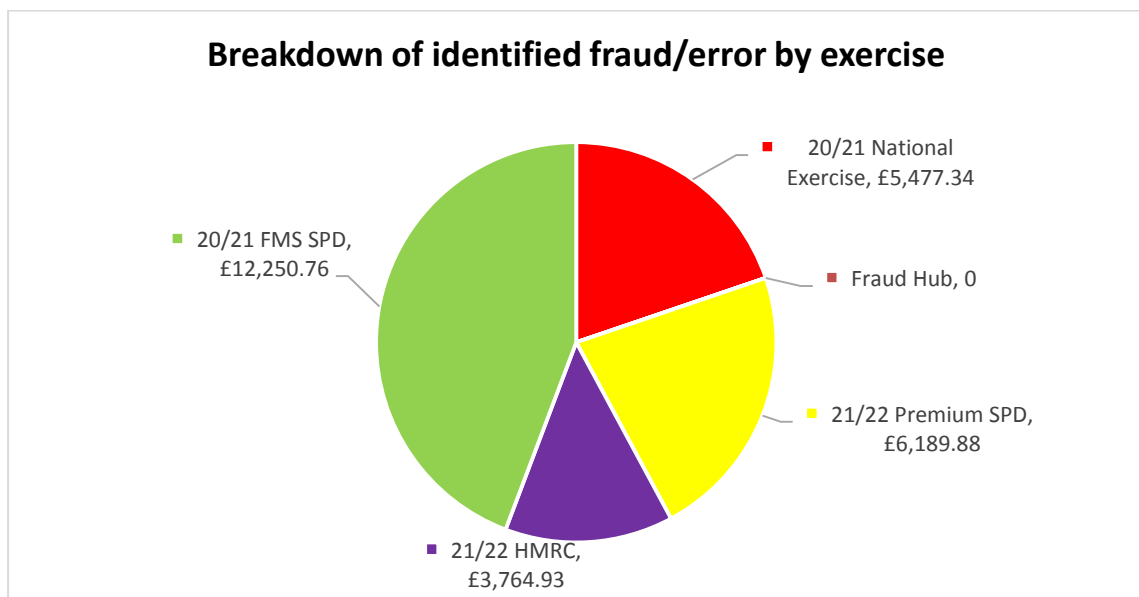
12. Overall Data Matching Activities

12.1 A total of 4,699 data matches were carried forward from the 2021/22 financial year. These matches related to various data matching reports. During the first half year a further 408 matches have been received.

12.2



12.3



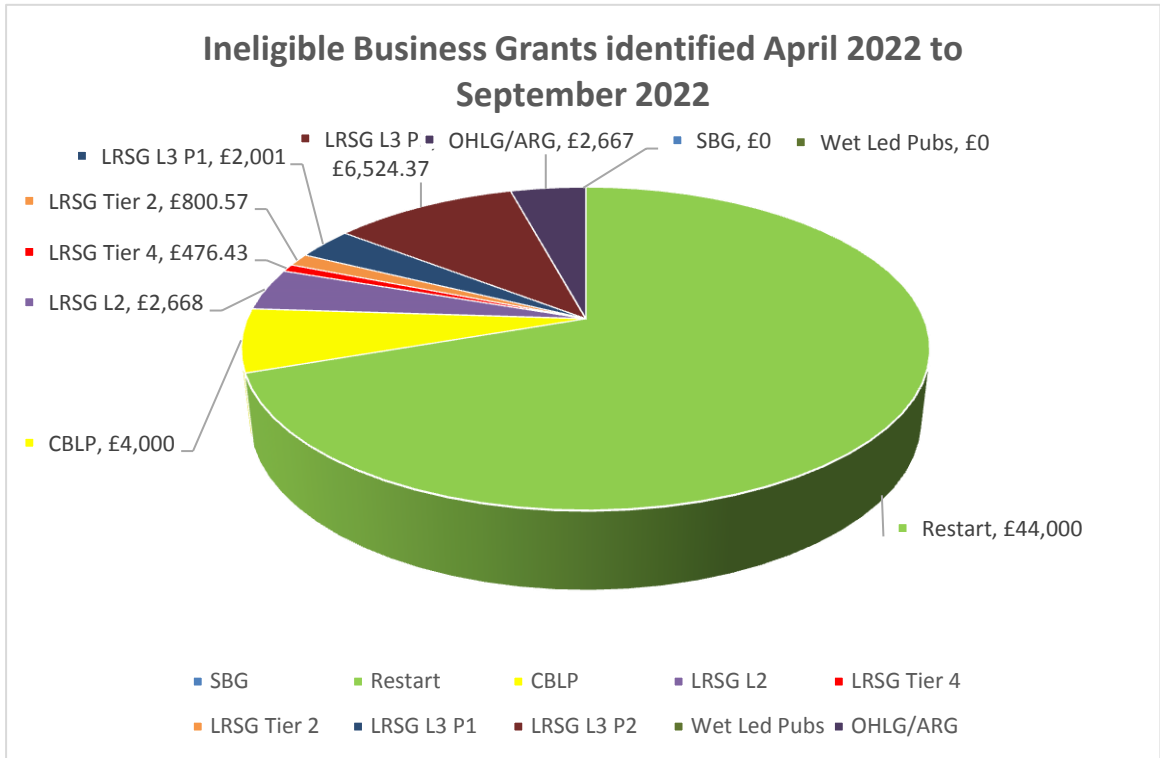
*\*these figures form part of the total identified fraud/error set out at 5.3.*

### 13. Covid-19 Business Grants

13.1 To date over £77m has been paid out by the Council in business grants since the emergence of the Covid-19 pandemic.

13.2 Post assurance of the Covid-19 Business Grant Schemes is undertaken by the Revenues Department. During the period April 2022 to September 2022 7 businesses have been identified to have received grants totalling **£63,137.37** that they were not eligible for following post assurance review, these are broken down under each grant scheme as follows:





*\*these figures are not included within the total figures set out at 5.3.*

- 13.3 As at the end of September 2022 **£7,714.00** has been recovered from the above total. Those who default on the recovery plans in place are forwarded to BEIS for further recovery actions to be carried out.
  
- 14. Anti-Fraud & Anti-Corruption Culture
- 14.1 Fraud awareness e-learning packages are to be rolled out to officers and members in October 2022. A further Fraud Awareness e-learning package is to be rolled out for managers later in the year (once available from the developers).
- 14.2 Anti-Fraud & Anti-Corruption communication strategy is being developed and regular are being rolled out in staff briefings beginning in October 2022.
  
- 15. Projects/Future pipeline of activities
- 15.1 The Senior Internal Auditor continues to be a member of the Cabinet Office’s Fraud Hub user group, assisting with other local authorities in shaping the services and data matching activities provided through the NFI and Fraud Hub. The Cabinet Office are to feed out new developments and innovative themes nationally to local authorities and other government organisations to help fight fraud and corruption.