

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	27 th November 2023		
TITLE:	Half year Fraud & Error Progress Report 2023-24		
TYPE OF REPORT:	Update		
PORTFOLIO(S):	Cllr Morley, Finance		
REPORT AUTHOR:	Jamie Hay, Senior Internal Auditor		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

<p>PURPOSE OF REPORT/SUMMARY:</p> <p>This report is aimed to provide the following in respect of the period April 2023 to September 2023 for areas such as Council Tax, Council Tax Reduction Scheme, Business Rates, Housing Waiting List, Duplicate invoices, False payments, Debtor Tracing activities and Internal Fraud where it arises:</p> <ul style="list-style-type: none"> • 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. • A look forward for the remainder of the financial year's anti-fraud and anti-corruption related activities.
<p>KEY ISSUES:</p> <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>

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 attached report is presented to show performance 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 report includes details of the level of fraud loss and the activities being undertaken to raise the anti-fraud & anti-corruption culture across the authority.

OPTIONS CONSIDERED:

Not applicable

RECOMMENDATIONS:

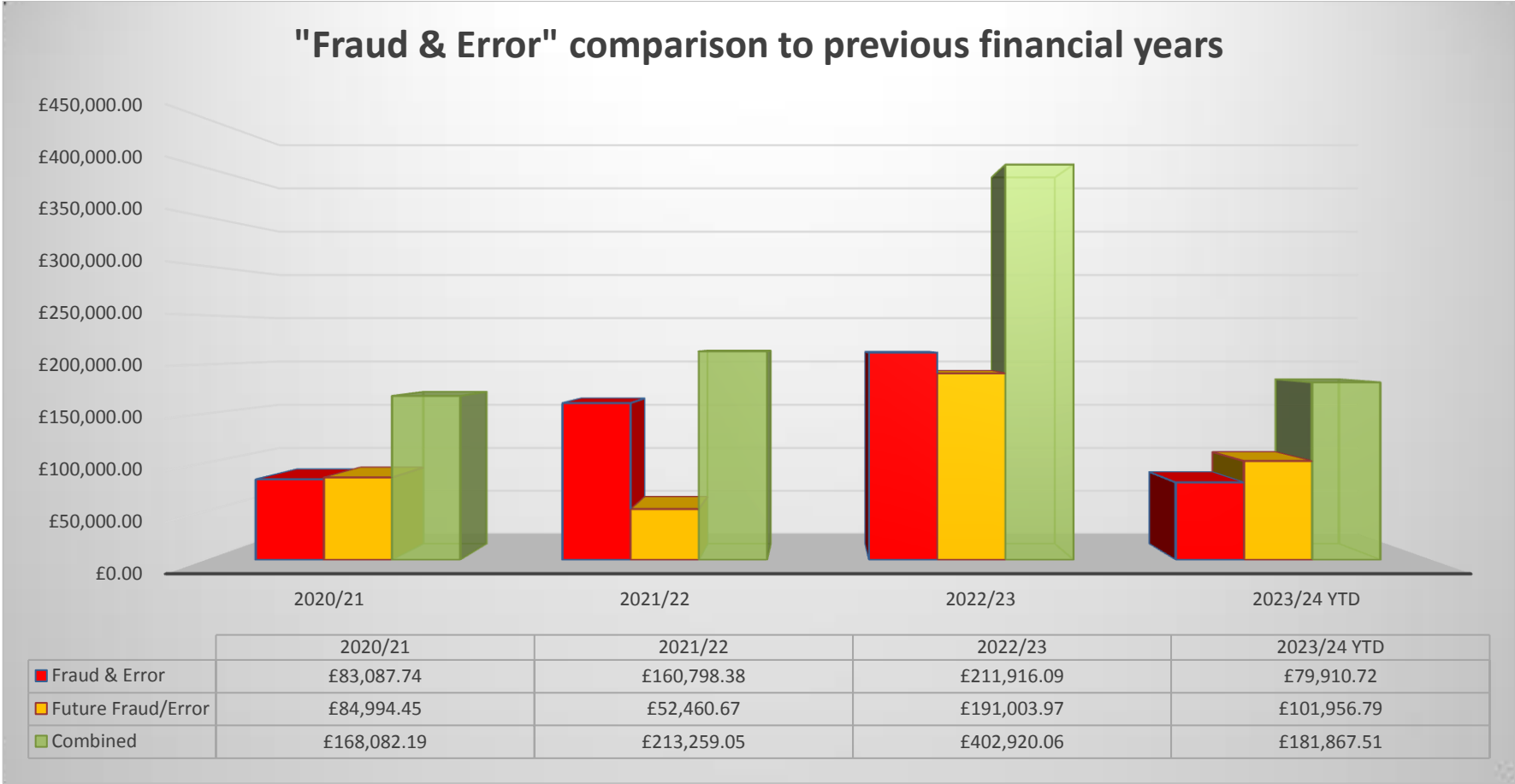
Members are asked to note the update of the anti-fraud & anti-corruption work.

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.

Half Year Fraud & Error Progress Report 2023/24

FIG.1 - Fraud & error comparison year to date against previous years



- Activities undertaken by the Internal Audit department include fraud investigations, data matching exercises, collaboration with other organisations (such as DWP).

1. Report overview

1.1 This report is aimed to provide the following in respect of the period April 2023 to September 2023:

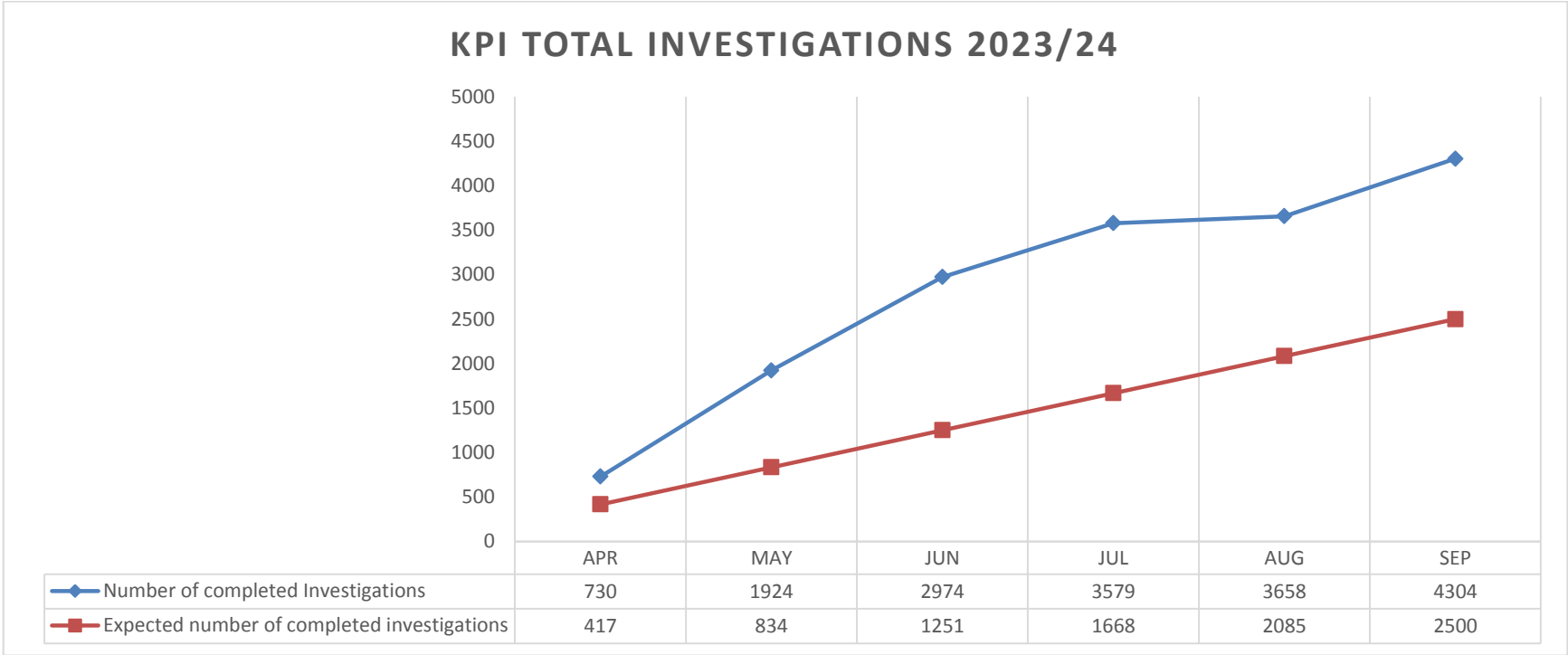
- Progress towards the Anti-Fraud & Anti-Corruption Key Performance Indicators assigned to the Internal Audit Department.
 - Including the areas of coverage which are mainly Council Tax, Council Tax Reduction Scheme, Business Rates, Housing Waiting List, Duplicate invoices, False payments, Debtor Tracing activities and Internal Fraud where it arises.
- 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 undertaken by the Revenues Assurance Team.
- Statistical information in respect of data matching activities undertaken through NFI and Norfolk Fraud Hub.
- A look forward to the remainder of 2023/24 anti-fraud and anti-corruption related activities and beyond.

2. Key Performance Indicators

2.1 As part of the Directorate Service Plan for Resources the following KPIs were set for the 2023/24 financial year for the purposes of the Internal Audit Departments role in tackling fraud and error:

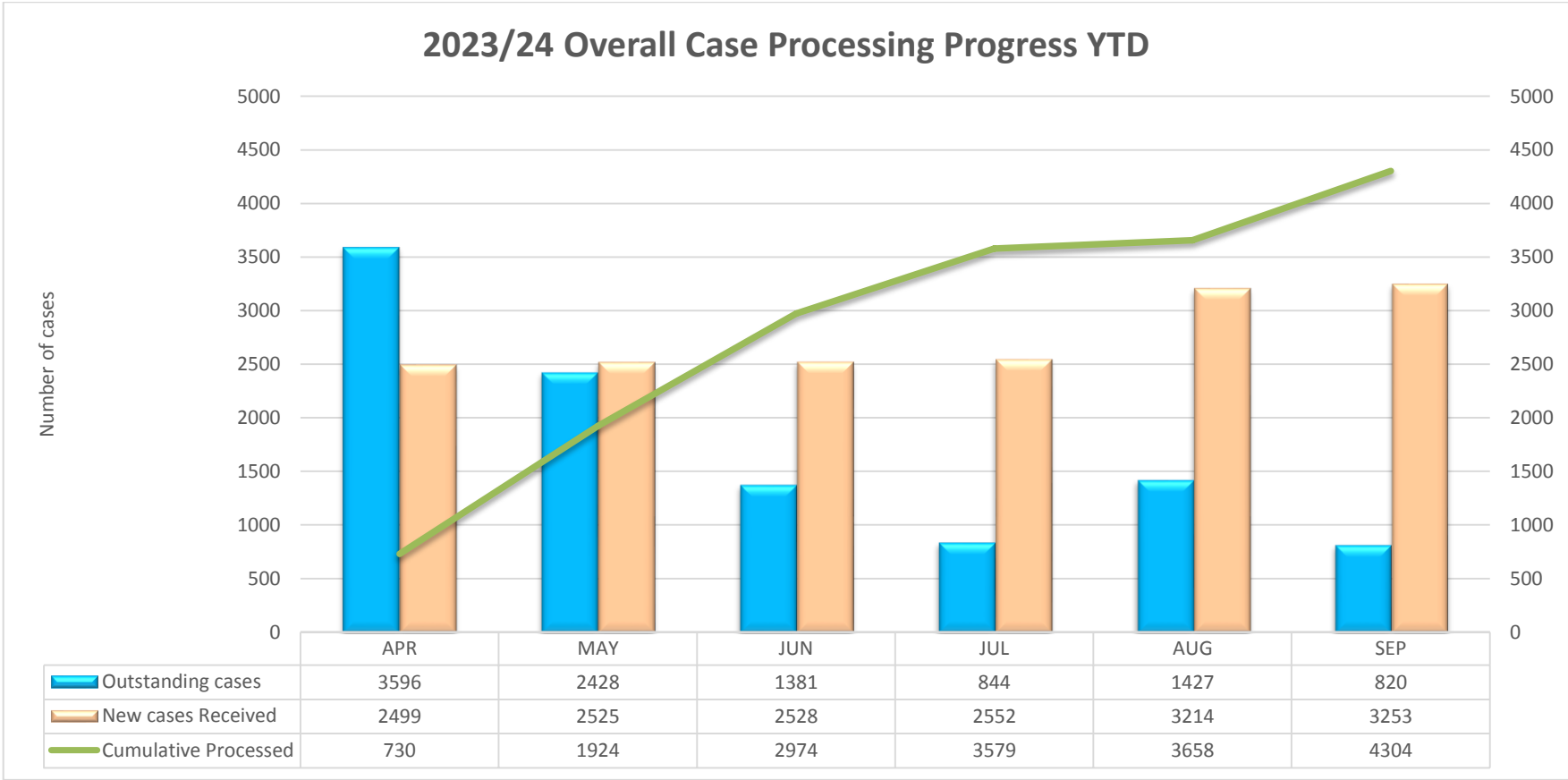
- 5,000 completed fraud/corruption investigations (including data matching exercises) per annum. (**see fig.2**)

FIG.2 – KPI TARGET: 5000 completed fraud/corruption investigations (including data matching exercises) per annum.



- 4,304 completed investigations (86.08%) of the expected full year target
- Progress is ahead of the target, and workload exists to meet this target by the end of the financial year. Progress is anticipated to slow during the second half of the year because of project work relating to a Council Tax SPD review exercise nearing completion.

FIG.3 - Overall investigation processing progress



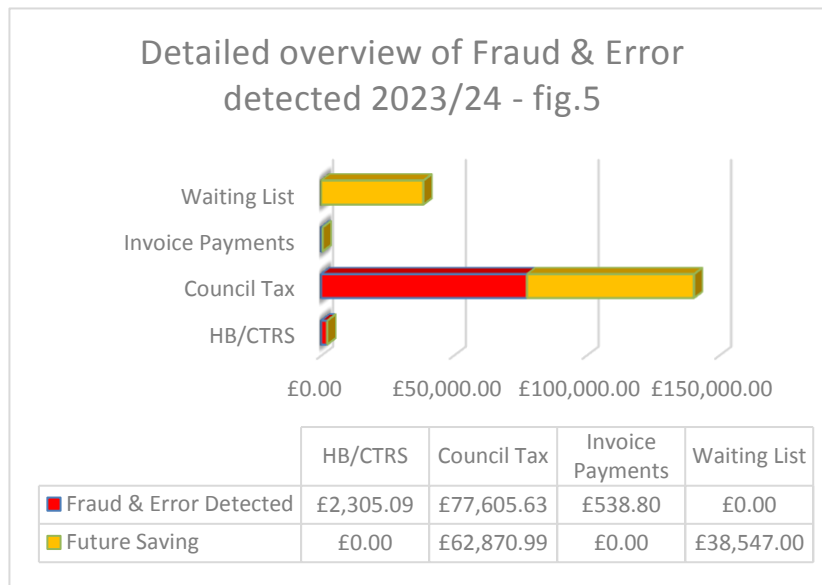
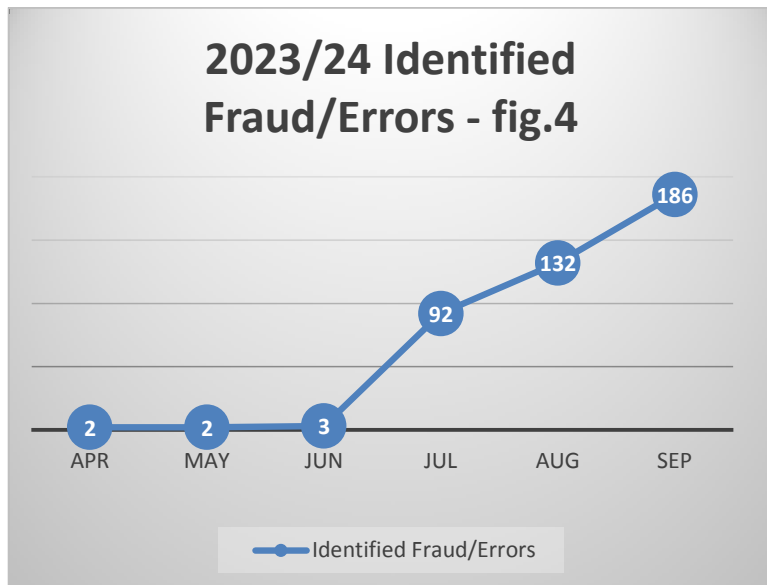
1,827 cases were brought forwards from 2022/23 financial year to this current year. There were 820 outstanding cases as at the end of September with further matches anticipated to be received in October from bi-annual HMRC data matching exercises, quarterly matches being received via the Norfolk FraudHub and any other cases that are received by other means.

3. Overview of Fraud/Error Detection

- 3.1 The borough is made up of 75,335 residential dwellings with 22,984 receiving Single Person Discount awards. SPD is awarded to 30.51% of all dwellings in the borough.
- 3.2 There are 6,714 Non-Domestic rates hereditaments across the Borough. With 4,772 of these receiving some type of relief or reduced bill. Reliefs / reduced bills are being awarded on 71.07% of all business rateable hereditaments in the borough.
- 3.3 There are 9,153 live Council Tax Reduction Scheme claims in payment across the borough. With 4,239 (46.31%) claims in payment to customers of pension age and 4,914 (53.69%) claims in payment to customers of working age.
- 3.4 The figures being presented for 2023/24 year to date gives a more accurate picture of the typical results compared to recent years now that we have returned to business as usual and recovered from the covid-19 pandemic which had impacted on previous year's statistics. **(see fig.3)**
- 3.5 The results shown in **fig.1** show that good progress is being made this financial year compared to the average value of detection of the previous years (£261,420.43 per annum).
- 3.6 Total counter fraud related spend during 2022/23 was **£34,051.67**.

4. Detailed Overview of Fraud/Error Detection

- 4.1 A total of **186** instances of fraud/error have been identified to the total value of **£181,867.51 (see fig.1)**
- Waiting list – 9 cases
 - Invoice payments – 1 case
 - Council Tax – 153 cases
 - HB / CTRS – 5 cases
 - Other identified errors – 18 cases



5. Other Identified Errors

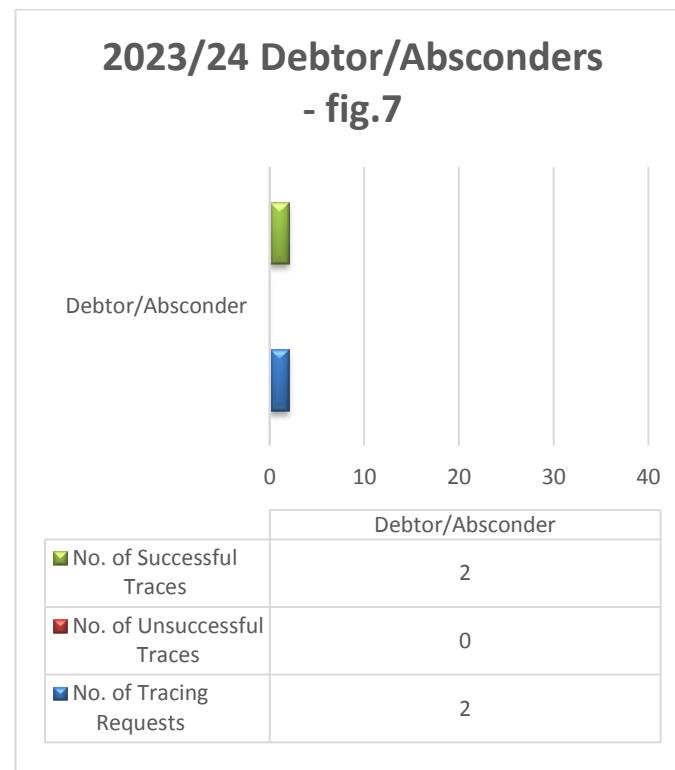
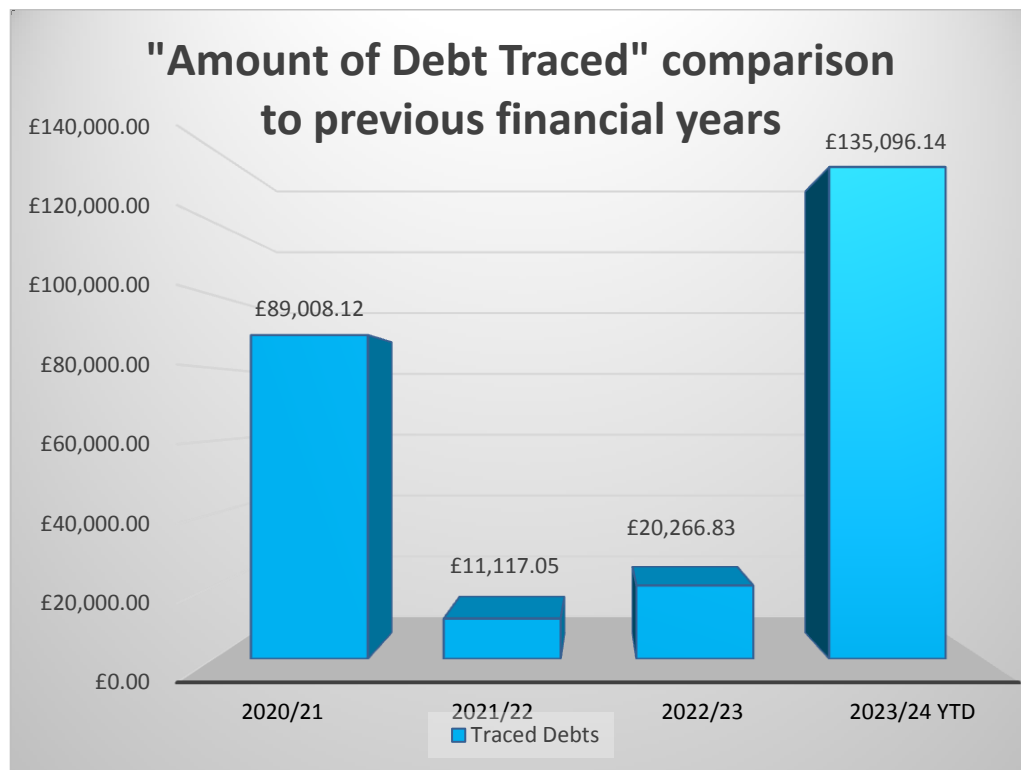
5.1 **18** Council Tax accounts have been amended from a Single Person Discount award to a Student Disregard/or another disregard status (the council tax liability has not changed but future fraud and error may have been prevented). These are included within **fig.4**.

6. Debtor Tracing Activities

6.1 Internal Audit assist the authority corporately providing debtor tracing services on a case-by-case basis. 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 who are responsible for pursuing and recovering the debt.

6.2 A total value of **£135,096.14** has been traced and passed back to the relevant departments for recovery purposes, **fig.6** outlines the number of traces undertaken and the number of successful traces.

FIG.5 – Debtor tracing comparison year to date against previous years



7. **Data Matching Activities**

7.1 As part of the investigation work conducted, data matching exercises continue to be carried out with the Cabinet Office's **NFI and the Norfolk Fraud Hub**, these exercises cross-over financial years. The number of new data matches received, the number of processed matches and the number of matches outstanding during the financial year are included within fig.3.

7.2 There are currently two themes of NFI reporting being completed:

7.3 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 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.

7.4 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.

8. SPD Project

8.1 The SPD project (funded by Norfolk County Council) has continued and has now completed year 3 of the project. We have received approval from Norfolk County Council for year 4 (2023/24) for funding of £48,138.30.

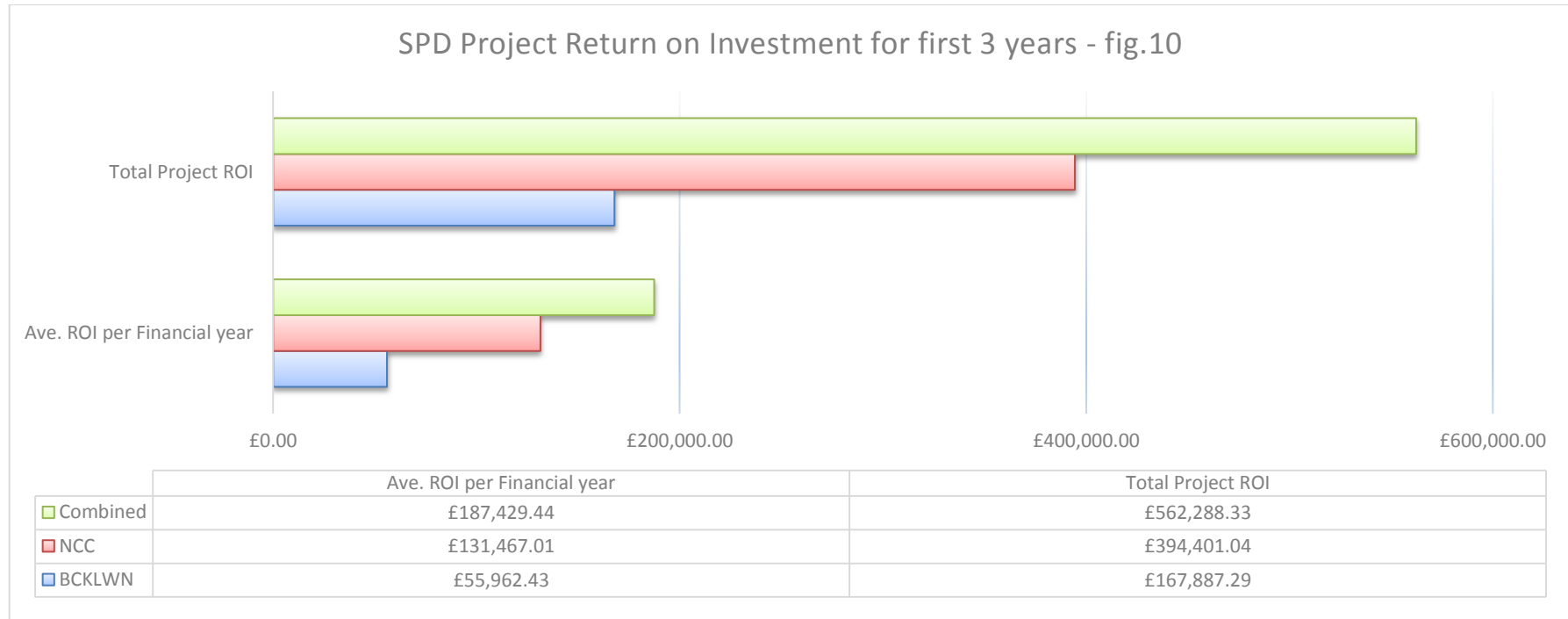
8.2 Results from the project to date – *Fig.8*

<i>Financial Year</i>	Council Tax Value Identified (£)	Additional Benefit Value Identified (£)
<i>Year 1 (2020/21 financial year)</i>	£130,200.27	£7,785.42
<i>Year 2 (2021/22 financial year)</i>	£129,190.22	£21,448.78
<i>Year 3 (2022/23 financial year)</i>	£386,850.49	£0.00
<i>Year 4 (2023/24 financial YTD)</i>	£133,059.49	£2,229.82
SUB-TOTAL	£779,300.47	£31,464.02
TOTAL	£810,764.49	

8.3 Below is a table that outline the number of matches we have received, and the corresponding number of errors identified during each year of the project - *Fig.9*

<i>Financial Year</i>	Matches Received	Errors Identified
<i>Year 1 (2020/21 financial year)</i>	4,564	254
<i>Year 2 (2021/22 financial year)</i>	5,856	180
<i>Year 3 (2022/23 financial year)</i>	1,901	532
<i>Year 4 (2023/24 financial YTD)</i>	3,399	148
TOTAL	15,720	1,114

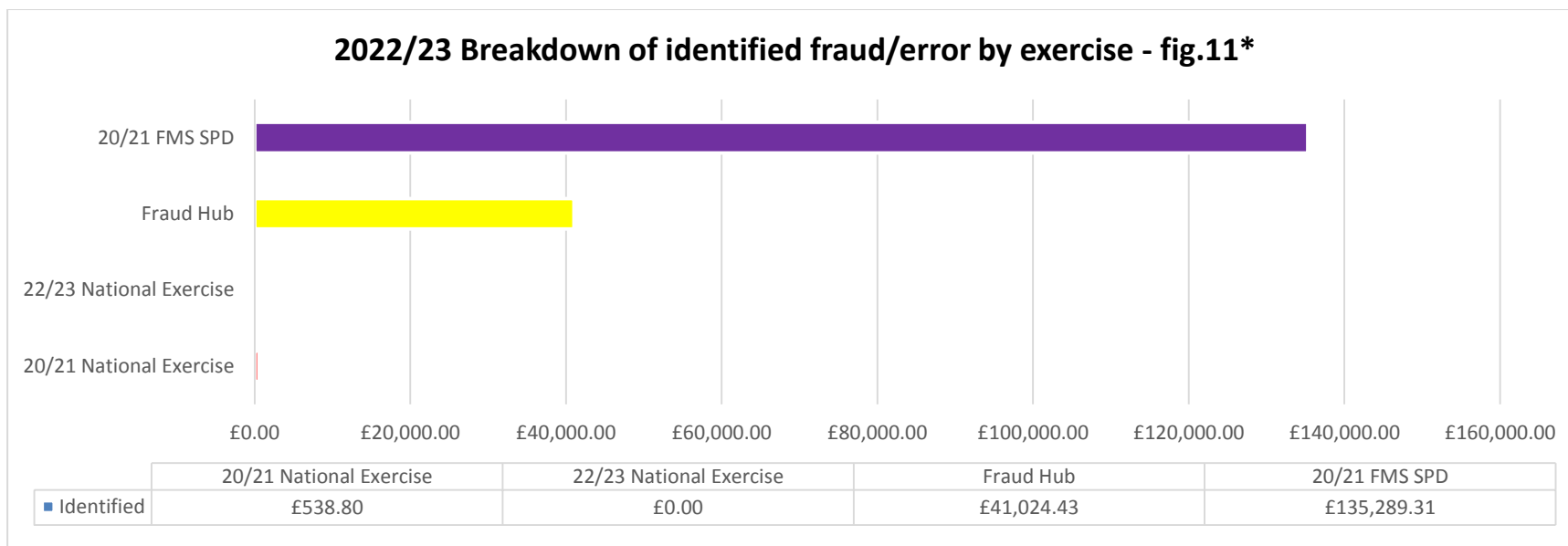
8.4 The “Return on Investment” from the Single Person Discount project to date for both the Borough Council of King’s Lynn & West Norfolk and the sponsor (Norfolk County Council) is shown in **fig.10**



**Once this year's project concludes we can update these figures to include 2023/24.*

9. Overall Data Matching Activities

9.1 A total of 1,806 data matches were carried forward from the 2022/23 financial year, during the financial year to date a further 3,199 data matches were received, with 4,272 being processed during the year leaving 777 still to be processed as at the end of September 2023. These matches relate to various data matching reports, fig.11 provides an overview breakdown for each exercise we undertake:

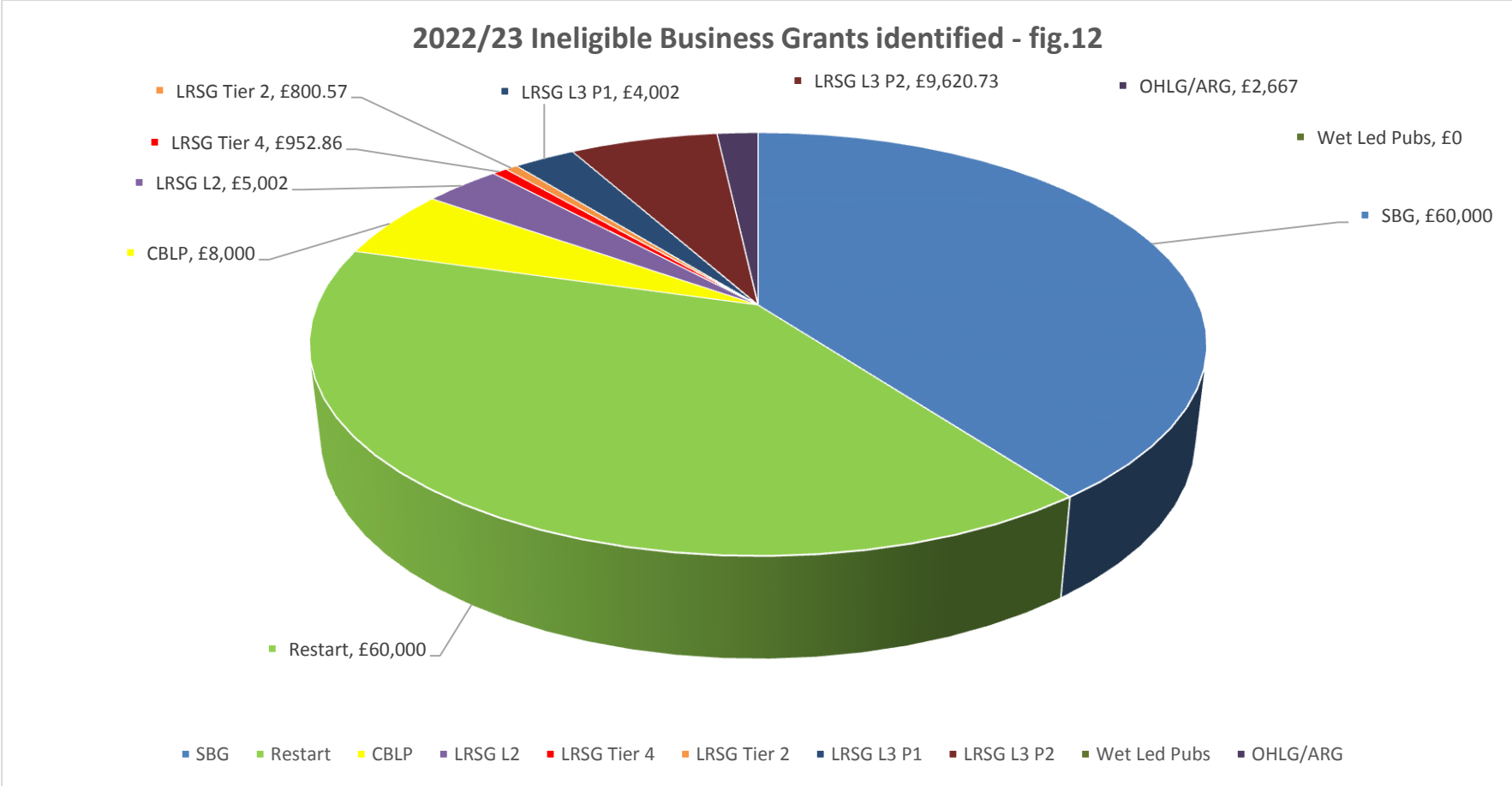


**these figures form part of the total identified fraud/error set out in fig.1*

10. Covid-19 Business Grants

10.1 The Covid-19 Business Grants schemes have now closed; 18,000 applications were paid out totalling £80.1m by the Council.

10.2 Post assurance of the Covid-19 Business Grant Schemes is undertaken by the Revenues Department. During the 2022/23 financial year **17** businesses have been identified to have received grants totalling **£151,045.16** that they were not eligible for following post assurance review (an increase of £12,574.43 since the end of 2022/23), these are broken down under each grant scheme as follows:



**these figures are not included within the total figures set out in fig.1 to fig.4.*

10.3 For the period 1 April 2023 to 30 September 2023 the total value recovered was **£12,574.98** from 6 cases. The total number of recoveries referred to BEIS for this period was 4 (two of which were referred due to defaulting on repayments).

- 10.4 During the 2022/23 financial year **£46,537.40** was recovered from 11 individual businesses. Those who default on the recovery plans in place are forwarded to BEIS for further recovery actions to be carried out. 6 businesses have been referred to BEIS for recovery of grants paid. BEIS take on recovery actions when the local authority have exhausted all their options for recovery.
- 10.5 Any Business Grants recovered go back to BEIS, the council do not retain any recovered grants that are investigated and found to be either paid incorrectly / fraudulently claimed / or deemed to be ineligible.

11. Other Schemes

- 11.1 Test & Trace Support. This scheme is now closed with 1,360 payments having been made totalling £688,000. These payments were made to workers who had received notifications to self-isolate and as a result had periods of reduced pay from their employment. These customers were required to provide evidence of reduced earnings as part of their applications.
- 11.2 Energy Rebate. This scheme is now closed with 60,000 payments having been made totalling £9.2m.
- 11.3 Energy Bills Support Scheme (EBSS AF) and Alternative Fuel Payments (AFP AF). Both these schemes closed to new applications on 31st May 2023. However, the EBSS AF scheme for applications from Corporate appointees was closed on 16th June 2023 (this being aimed at Care Homes). There were the following payments made under these schemes:

Fig.13

Scheme	Total No. of Payments	Total Value of Payments	Total No. of rejected applications	Total No. of cancelled applications	Total No. of ineligible applications
EBSS AF	538 at £400.00 each	£215,200.00	43 (£17,200.00)	46 (£18,400.00)	18 (£7,200.00)
AFP AF	543 at £200.00 each	£108,600.00	46 (£9,200.00)	185 (£37,000.00)	11 (£2,200.00)
Total	1,081	£323,800.00	89 (£26,400.00)	231 (£55,400.00)	29 (£9,400.00)

- 11.4 No amounts were required to be recovered within these schemes.

12. Anti-Fraud & Anti-Corruption Culture

- 12.1 Fraud awareness e-learning packages were rolled out to officers in November 2022 and formed part of members induction training following the May elections. A further Fraud Awareness e-learning package has also been rolled out for managers in November 2022.
- 12.2 An Anti-Fraud & Anti-Corruption communication strategy has been developed and regular staff briefings commenced on 28 September 2022, providing staff with useful information and furthermore details of what anti-fraud tools are available to them.
- 12.3 A new corporate documents folder has been created within the intranet (InSite) for staff to access useful information such as contact details of where and how to report fraud, SCAM alerts, and other information and guidance such as due diligence details, fraud awareness information and document verification tips. This has been highlighted to staff through the staff briefings.

13. Projects/Future pipeline of activities

- 13.1 Following the strategic planning of the internal audit plan 2023/24 a total of 98 days has been allocated to resourcing work relating to anti-fraud and anti-corruption during 2023/24 financial year within the Internal Audit team. This is a similar level to the 2022/23 financial year.
- 13.2 There has been a reduction seen in the number of data matches being returned, this is the picture identified from the main reports we have received in the past - *Fig.14*

<i>Report</i>	<i>Matches received last time</i>	<i>Matches received for 2023/24</i>	<i>Difference %</i>
<i>CTAX to Electoral Register</i>	1,409	880	-37.54%
<i>CTAX Rising 18's</i>	75	44	-41.33%
<i>CTAX to Other Data</i>	2,711	2,475	-8.71%
<i>CTAX to HMRC</i>	1,661	TBC	
<i>FraudHub</i>	675	721 (YTD)	+6.81%
<i>National Exercise</i>	691	675	-2.32%

**Based upon the matches returned to date we can see a reduction in the total number of matches is likely. At this point in time, we have seen an overall reduction in matches of 13.78% over the reports returned for 2023/24 to date.*

13.3 The Norfolk Fraud Hub reconvened with quarterly data uploads commencing at the end of April 2023, this is resulting in an increased number of matches received from the FraudHub.

13.4 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**

These new powers can be included in schedule 9 of the Local Audit and Accountability Act 2014 via an affirmative statutory instrument, passed by both the House of Commons and the House of Lords. However, these plans are still suspended by Ministers currently, presumably due to the cost-of-living crisis.

13.5 Further legislative changes are due in 2024 through the Economic Crime and Corporate Transparency Bill which recently received Royal Assent and will introduce new “failure to prevent fraud offences” and expected “reasonable fraud prevention procedures” that the Council will be required to have in place. As part of the Fighting Fraud & Corruption Locally Operational Group we are undertaking an approach which includes risk assessment, proportionality of risk-based prevention procedures, top level commitment, due diligence, communication (including training) and monitoring and review to help make a fully informed decision relating to what “reasonable procedures” will look like within local authorities.

13.6 We have now re-engaged with the DWP Fraud Service and have some joint working cases that we are collaborating on where potential frauds affect both ourselves and the DWP.

13.7 As part of further work relating to anti-fraud and anti-corruption culture across the organisation work will continue to be undertaken to engage with departments and service areas to help provide advice and gateways to access information that can assist them in the prevention of fraud and corruption, such as the promotion of tools and services available to us through the National Fraud Initiative and National Anti-Fraud Network.

- 13.8 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.
- 13.9 Reviews are currently being undertaken of both the Anti-Fraud & Anti-Corruption Policy and the Anti-Money Laundering Policy.
- 13.10 Efforts continue to be made to establish a Financial Investigation provision for the Council. We are currently liaising with Norfolk County Council as the Norfolk FraudHub sponsor looking at a potential retained service model which all members of the Norfolk FraudHub could access when required. We are furthermore going to explore and assess our position as an organisation, in terms of awareness, potential/susceptibility to money laundering and proceeds of crime offences being committed against us (and our LATCs), which is also intended to highlight which areas of the organisation are more likely to need/require training in this area.
- 13.11 Financial investigation 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.

GLOSSARY OF TERMS

DWP	Department for Work & Pensions	CTAX	Council Tax
NFI	National Fraud Initiative	LATC	Local Authority Trading Company
KPI	Key Performance Indicator	SBG	Small Business Grants
SPD	Council Tax Single Person Discount	Restart	Restart Grants
HMRC	His Majesty's Revenues & Customs	CBLP	Closed Businesses Lockdown Payment
HB	Housing Benefit	LRSG L2	Local Restrictions Support Grant Lockdown 2
CTRS	Council Tax Reduction Scheme	LRSG Tier 4	Local Restrictions Support Grant Tier 4 Restrictions
YTD	Year to Date	LRSG Tier 2	Local Restrictions Support Grant Tier 2 Restrictions
Covid-19	Coronavirus pandemic	LRSG L3 P1	Local Restrictions Support Grant Lockdown 3 Phase 1
BEIS	Department for Business, Energy & Industrial Strategy	LRSG L3 P2	Local Restrictions Support Grant Lockdown 3 Phase 2
EBSS AF	Energy Bills Support Scheme	Wet Led Pubs	Christmas Support Payment Wet Led Pubs Grants
AFP AF	Alternative Fuel Payments	OHLG/ARG	OMICRON Hospitality and Leisure Grant / Additional Restrictions Grant