

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	24 th June 2024		
TITLE:	Full 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 March 2024 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>
<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> <p>Appendix 3 to 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 & 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.</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.

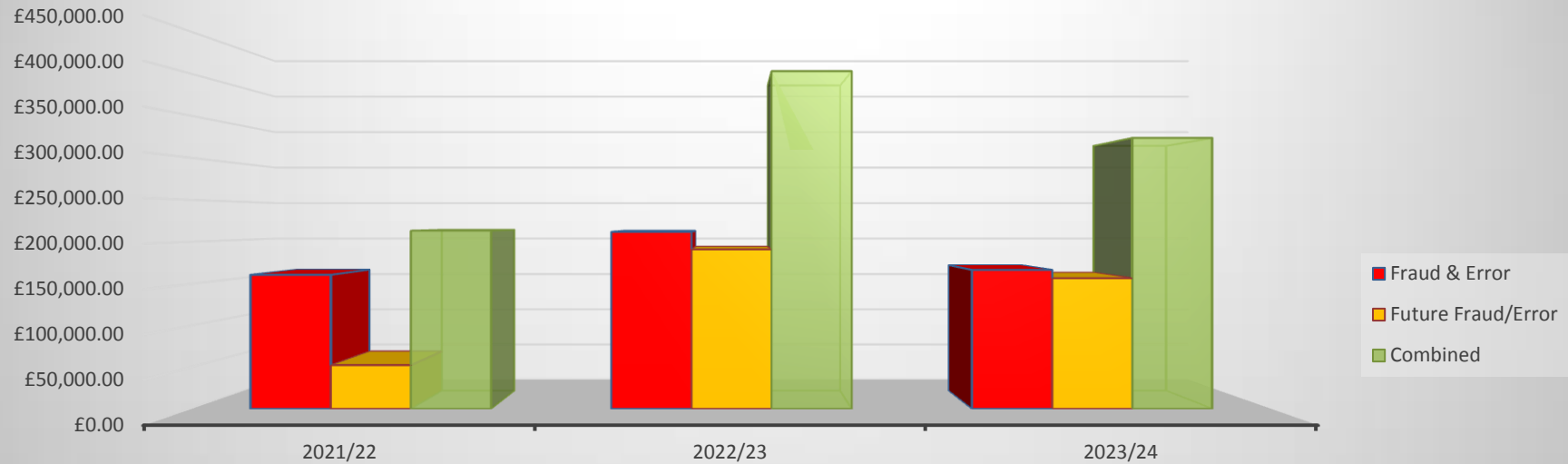
Full Year Fraud & Error Progress Report 2023/24

1. Report overview

1.1 This report is aimed to provide the following in respect of the period April 2023 to March 2024:

- **SECTION 2** - Progress towards the Anti-Fraud & Anti-Corruption Key Performance Indicators assigned to the Internal Audit Department.
- **SECTION 3 TO 5** - 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.
 - 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.
- **SECTION 6** - Statistical information in respect of traced debts where the Internal Audit Team have been contacted for assistance.
- **SECTION 7 TO 9** - Statistical information in respect of data matching activities undertaken through NFI and Norfolk Fraud Hub.
- **SECTION 10 TO 11** - 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.
- **SECTION 12** – Details around Anti-Fraud and Anti-Corruption culture and awareness activities
- **SECTION 13** - A look forward to the planned priorities for 2024/25 in respect of Anti-Fraud and Anti-Corruption.

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



	2021/22	2022/23	2023/24
Fraud & Error	£160,798.38	£211,916.09	£166,677.16
Future Fraud/Error	£52,460.67	£191,003.97	£156,817.09
Combined	£213,259.05	£402,920.06	£323,494.25

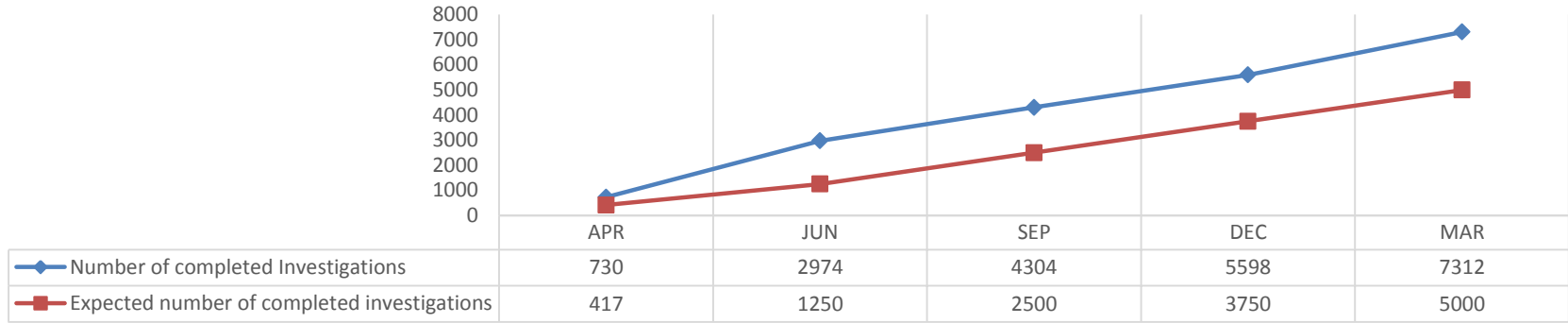
- Activities undertaken by the Internal Audit department include fraud investigations, data matching exercises, collaboration with other organisations (such as DWP and members of the Norfolk FraudHub).

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:

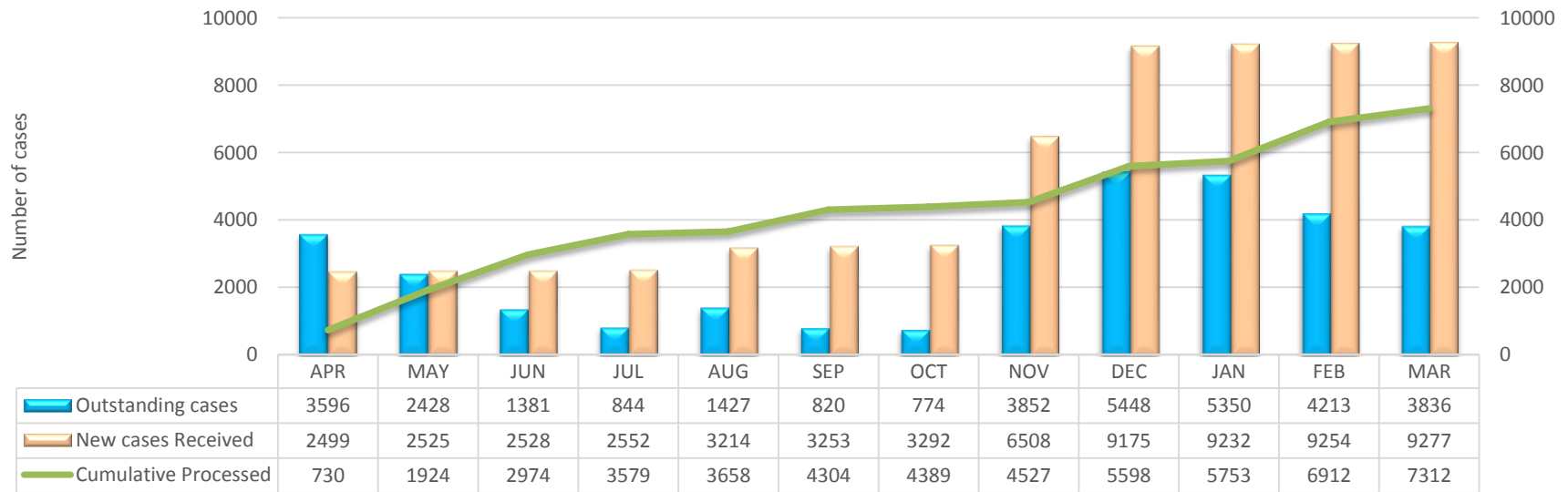
- 5,000 completed fraud/corruption investigations (including data matching exercises) per annum. (**see fig.2**)

FIG.2 - KPI TOTAL INVESTIGATIONS 2023/24



7,312 completed investigations (146.24%) of the expected full year KPI target of 5,000

Fig.3 - 2023/24 Overall Case Processing Progress



1,827 cases were brought forward from 2022/23 financial year to the 2023/24 financial year, a total of 9,277 cases were received during the 2023/24 financial year, with 7,312 being processed. 3,836 cases were outstanding at the end of the 2023/24 financial year which have been carried forward to the 2024/25 financial year.

3. Overview of Fraud/Error Detection

- 3.1 The borough is made up of 75,620 residential dwellings with 23,183 receiving Single Person Discount awards. SPD is awarded to 30.66% of all dwellings in the borough.
- 3.2 There are 6,682 Non-Domestic rates hereditaments across the Borough. With 4,814 of these receiving some type of relief or reduced bill. Reliefs / reduced bills are being awarded on 72% of all business rateable hereditaments in the borough.
- 3.3 There are 9,149 live Council Tax Reduction Scheme claims in payment across the borough. With 4,206 (46%) claims in payment to customers of pension age and 4,947 (54%) claims in payment to customers of working age.
- 3.4 The results shown in **fig.1** show that £939,673.36 in fraud and error has been identified during the last 3 financial years (an average of £313,224.45 per year)
- 3.5 Total counter fraud related spend during 2022/23 was **£38,294.00**.

4. Detailed Overview of Fraud/Error Detection

- 4.1 A total of **350** instances of fraud/error have been identified to the total value of **£323,494.25 (see fig.1)**
 - Waiting list – 10 cases
 - Invoice payments – 1 case
 - Council Tax – 279 cases
 - HB / CTRS – 38 cases
 - Other identified errors – 22 cases

Fig.4 - 2023/24 Identified Fraud/Errors

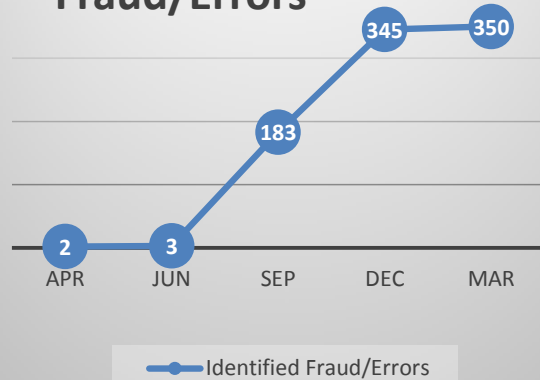
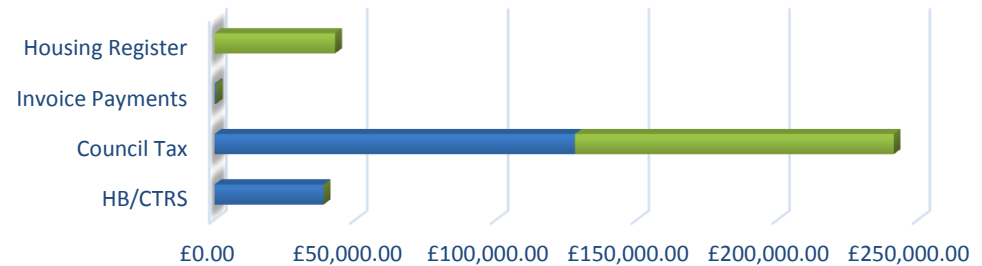


Fig.5 - Detailed overview of Fraud & Error detected 2023/24



	HB/CTRS	Council Tax	Invoice Payments	Housing Register
■ Fraud & Error Detected	£38,755.14	£127,922.02	£538.80	£0.00
■ Future Saving	£0.00	£113,448.29	£0.00	£42,830.00

5. Other Identified Errors

5.1 **22** Council Tax accounts have also been amended where the changes applied made no effect on current liability but prevented potential future fraud or error occurring. These figures 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 **£145,413.94** has been traced overall 5 tracing requests were received and 3 debtors were successfully traced and passed back to the relevant departments for recovery purposes.

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 4 of the project. We have received approval from Norfolk County Council for year 5 (2024/25) for funding of £65,623.06.

8.2 Results from the project to date – *Fig.6*

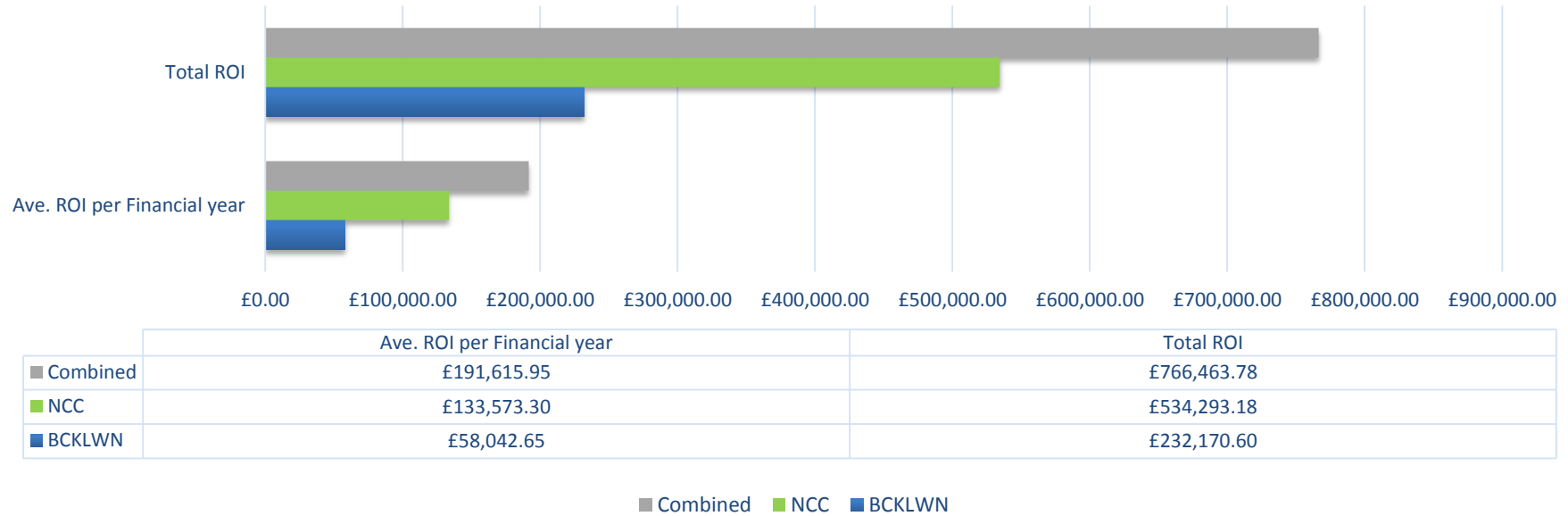
<i>Financial Year</i>	Council Tax Value Identified (£)	Additional Benefit Value Identified (£)
<i>Year 1 (2020/21 financial year)</i>	£130,200.27	£7,785.42
<i>Year 2 (2021/22 financial year)</i>	£129,190.22	£21,448.78
<i>Year 3 (2022/23 financial year)</i>	£386,850.49	£0.00
<i>Year 4 (2023/24 financial year)</i>	£233,647.04	£38,244.33
SUB-TOTAL	£879,888.02	£67,478.53
TOTAL	£947,366.55	

8.3 Below is a table that outlines the number of matches we have received, and the corresponding number of errors identified during each year of the project - *Fig.7*

<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 year)</i>	5,246	292
TOTAL	17,567	1,258

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.8**

fig.8 - SPD Canvass Review Data Matching Return on Investment



9. Overall Data Matching Activities

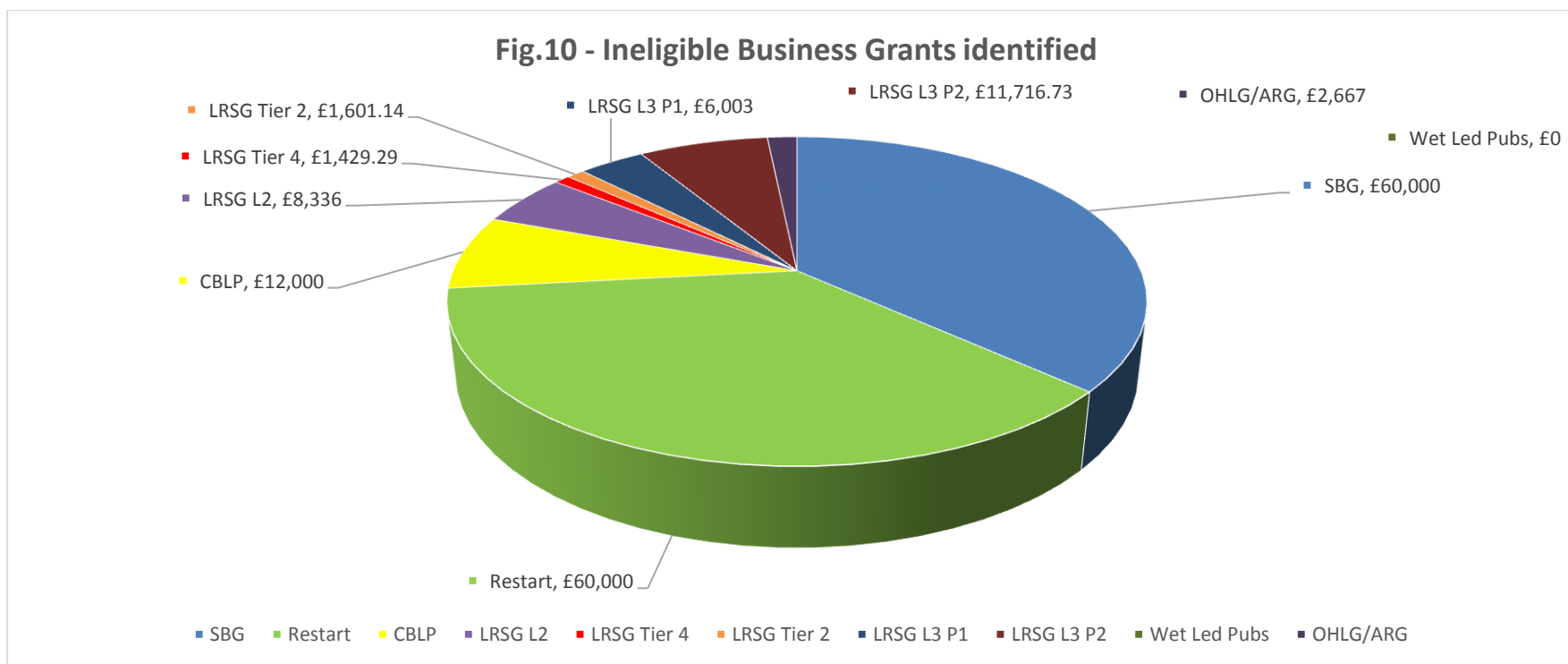
9.1 Below provides an overview for all Data Matching areas covered within the Internal Audit Department’s current work programme of exercises being undertaken. fig.9:

Exercise	Matches Processed	Errors Identified	Strike Rate	Value Detected
SPD & Premium	5,246	292	5.57%	£271,891.37
FraudHub	1,392	14	1.01%	£45,742.97
National NFI	614	1	0.16%	£538.80
TOTAL	7,252	307	4.23%	£318,173.14

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 all grants awarded has now been completed. Since the commencement of the Covid-19 Business Grant Schemes 18 Grant recipients were identified as having not been entitled to those grants awarded due to either fraud, non-compliance, or error. 1 further recipient identified £3,000.00 to be voluntarily returned. This means 19 cases were identified at a value of **£163,753.16**



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

10.4 The total value recovered up to 31st March 2024 was **£69,980.36**, with **£8,706.37** still being recovered by the Revenues Department.

10.5 11 cases have been referred to BEIS for debt assignment and recovery to the value of **£85,066.43**. Fig.11

Total amount recoverable	£163,753.16
<i>Recovered to date</i>	£69,980.36
<i>Still being recovered</i>	£8,706.37
<i>Passed to BEIS for recovery</i>	£85,066.43

10.6 Any Business Grants recovered go back to BEIS, the council do not retain any recovered grants that are investigated and found to be either fraud, non-compliance, or error.

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.12):

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 and these schemes have now been reconciled with all unspent funding returned to the Department for Energy Security and Net Zero (namely £559,200.00 EBSS AF and £127,400.00 AFP AF).

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 The Anti-Fraud & Anti-Corruption Policy and the Anti-Money Laundering Policy were reviewed during 2023/24 and formally approved through Cabinet and have been adopted. A staff briefing has been issued on to ensure staff are aware of the update and where they can find the policies.
- 12.4 Work around this remains on the service delivery plans for 2024/25 to continue to develop the anti-fraud & anti-corruption culture across the organisation.

13. Projects/Future pipeline of activities

- 13.1 Following the strategic planning of the internal audit plan 2024/25, a total of 143 days has been allocated to resourcing work relating to anti-fraud and anti-corruption during the 2024/25 financial year within the Internal Audit team. This has been increased as a result of the upcoming changes in legislation with the introduction of the Economic Crime & Corporate Transparency Act. The Act introduces requirements on large organisations (including ourselves) as defined within the Companies Act 2006 and introduces offences around “failure to prevent fraud”.
- 13.2 As a result of the changes in legislation and the recent updates to the Anti-Fraud & Anti-Corruption Policy and the Anti-Money Laundering Policy we are in the process of undertaking a comprehensive Fraud Risk Assessment across all services within the Council. The results will be collated and reviewed to determine an action plan to update the Fraud Risk Register and identify any gaps and to consider mitigation which can be recommended to ensure that “reasonable fraud prevention procedures” are in place across the organisation.
- 13.3 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.

- 13.4 As part of further work relating to the anti-fraud and anti-corruption culture across the organisation, work will continue 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. Training has been provided recently to staff across the Council and across other Norfolk Authorities in the use of the Norfolk FraudHub.
- 13.5 The Senior Internal Auditor continues to be a member of the Cabinet Office's FraudHub user group, assisting with other local authorities in shaping the services and data matching activities provided through the NFI and FraudHub. 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.
- 13.6 Efforts will continue 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 (this is part of the Fraud Risk Assessment currently being carried out).
- 13.7 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