

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	18 th November 2024		
TITLE:	Half Year Fraud & Error Progress Report 2024-25		
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 to September 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> <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 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 outlines that the Council faces several different fraud and corruption risks over a large range of service areas and functions that it undertakes. 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 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</p>

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:

Consider the details of the report, taking into account the Council's Anti-Fraud & Anti-Corruption Policy and review the effectiveness of the anti-fraud & anti-corruption work in preventing and detecting fraud and corruption.

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 2024 / 2025

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1. Introduction

- 1.1 The purpose of this report is to provide the information on the following elements, in respect of the period April to September 2024:
- Fraud and Corruption Risks
 - Fraud detection and prevention activities
 - Performance and outcomes
 - Debtor tracing activities
 - Anti-Fraud & Anti-Corruption culture
 - Compliance with the Anti-Fraud and Anti-Corruption Policy and KPIs
 - Forward-Looking Strategy
- 1.2 Allowing the Audit Committee to consider the details within this report and evaluate the Council's efforts to prevent and detect fraud and corruption.
- 1.3 Where people commit fraud against the public sector and public services, they take money away from the services on which the public depend, and damage citizens' trust in the government. The Borough Council of King's Lynn and West Norfolk (the Council) is committed to protecting the public funds entrusted to it and to upholding the highest standards of financial probity and accountability. We cannot afford to be complacent, and we urge all our members, employees, contractors, and partners to assist us in fighting fraud by having regard to this policy and the risks of fraud when carrying out their duties, recognising that, if uncontrolled, fraud diverts much needed resources from our communities.
- 1.4 The "Annual Fraud Indicator 2023" produced by Crowe Clark Whitehall estimated that annual UK fraud losses could be £219 billion, with Public Sector fraud losses estimated to be £50.2 billion. The Government's "Economic Crime Plan 2023-2026" states that Fraud accounted for an estimated 41% of all crime experienced by adults in England and Wales in the year ending September 2022. Fraud is now the most common offence in the UK and local authorities continue to face significant fraud challenges, exacerbated by the Covid-19 pandemic and the ongoing cost-of-living crisis.
- 1.5 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.

- 1.6 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.
- 1.7 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.
- 1.8 Total counter fraud related spend during 2023/24 was **£38,294.00**.
- 1.9 During 2024 the Council have reviewed the Anti-Fraud & Anti-Corruption Policy and the Anti-Money Laundering Policy which both align to national fraud strategies including the Fighting Fraud & Corruption Locally Standards.

2. Fraud and Corruption Risks

- 2.1 A Fraud Risk Assessment has been conducted across the organisation; the assessment aims to identify potential fraud risks across all service areas, evaluate the effectiveness of existing controls, and propose actions to mitigate identified risks. The methodology involved collecting input from each service area, analysing the responses, and consolidating key findings into a future report.
- 2.2 A total of 38 Fraud Risk Assessment Questionnaires were issued covering 37 different service areas, all nine Directorates within the Council and Alive West Norfolk. A total of 36 responses were received representing 94.44% coverage of these areas; these responses are currently being reviewed.
- 2.3 There has been a recent surge in intelligence reports being received relating to scams and furthermore the organisation has been subject to a Council Tax Refund Scam and vulnerable members of our communities who use our Careline support services have also been targeted by scammers. Steps have been taken to issue communications around this and furthermore procedures have been produced to prevent Council Tax Refund scams.

2.4 The Economic Crime and Corporate Transparency Act 2023 received Royal Assent on 26 October 2023; this Act introduced “Failure to Prevent Fraud offences”:

- Corporations as well as individuals can commit fraud. The victims of corporate fraud could be individuals, the public sector or other businesses. For example, customers might be tricked into buying a product or paying an inflated price as a result of the company giving them deliberately misleading information. The Failure to Prevent Fraud offence gives law enforcement and prosecutors additional powers to hold corporations accountable for fraud, and encourages corporations to put preventative measures in place, thereby reducing the amount of fraud that happens in the first place.
- The offence holds an organisation responsible if an ‘associated person’ (for example, a company employee) commits fraud, intending to benefit the organisation, and the organisation did not have reasonable prevention procedures in place. It does not need to be proven that senior management within the organisation knew about or were involved in the fraud; this represents a key difference from existing powers to hold companies accountable for fraud. The Government is required to produce guidance on reasonable prevention measures before the offence comes into force (at the time of writing this report this had not yet been produced)

3. Fraud Detection and Prevention Activities

3.1 There are many different internal controls in place across the organisation to prevent and detect fraud. Some of the key internal controls include segregation of duties, staff training, financial controls, whistleblowing mechanisms, and other internal process such as those included within the Anti-Fraud & Anti-Corruption Policy:

- Internal Control Systems
 - Internal controls are in place to prevent fraud. It is the responsibility of all managers to establish and maintain systems of internal control and to assure themselves that those controls are properly applied as intended. This includes responsibility for the prevention and detection of fraud and corruption.
 - The Council implements strong systems of verification of all claims for all types of financial assistance. All data available will be used to corroborate information given by applicants for the purpose of prevention and detection of fraud. Grants and assistance given to external organisations will be monitored to ensure applications are genuine.

- The Council also expects partners and contractors to have adequate controls and Whistleblowing procedures in place to minimise fraud and corruption, and this will be written into all contract terms and agreements. Due diligence processes (including monitoring) will also be put in place when engaging and contracting with third parties by the project lead/responsible officer(s).
 - The Internal Audit Team will ensure that an adequate and effective internal audit is undertaken of the Council's systems and processes and will investigate allegations of fraud and corruption. Any system weaknesses that are identified as part of these investigations will be reported to the relevant manager / Assistant Director and an action plan agreed to remedy the issue. The Audit Committee will receive regular reports from the Internal Audit Manager on the results of internal audits and any investigations, including follow-up on the implementation of agreed actions.
 - The Internal Audit Team have also developed a Fraud Risk Register which is being used to understand what information and data is held within each service area within the Council that could be subject to fraud and corruption. Internal Audit will maintain the Fraud Risk Register to support the mitigation of risk through the implementation of effective controls.
- Employee recruitment and conduct
 - Recruitment procedures require that all applicants will provide evidence of any qualifications claimed and all references will be taken up. The right to work in the country will also need to be demonstrated where necessary.
 - All employees must abide by the Council's rules as contained in relevant policies and procedures. This expectation forms part of the employee's contract of employment. Employees are also expected to follow any additional Codes of Conduct of a professional body to which they are registered.
 - All new Members and employees shall be given access to this policy document as part of their initial induction process.
 - Joint working to prevent and combat fraud
 - The Council participates in data-matching exercises such as the National Fraud Initiative (NFI), and the Norfolk FraudHub. The Council also makes full use of its statutory powers to obtain information using bodies such as the National Anti-Fraud Network (NAFN) to identify possible instances of fraud. The Internal Audit team also conduct joint working with the DWP for the purposes of investigating benefit fraud/error and with Housing Associations for the investigation of Right to Acquire and Tenancy Fraud.

- Use of technology
 - The Council will make use of technology and other measures made available for the prevention and detection of fraud and corruption; this may include software available for these purposes where an appropriate Data Privacy Impact Assessment has been undertaken and legislation allows their use. Examples of such software include the use of “AppCheck”, an application checking tool available through the Cabinet Office to highlight risk relating to applications that have been received which may be fraudulent.

- The work of the Audit Committee
 - The Terms of Reference for the Audit Committee require it to ‘*assess the potential harm to the council from fraud and corruption, monitoring counter-fraud policy, action and resources*’. As such the Committee receives regular reports from the Internal Audit Manager on work carried out and considers the adequacy of the Council’s policies relating to the prevention and detection of fraud and corruption.

4. Performance and Outcomes

4.1 An annual Key Performance Indicator exists for the Council’s Anti-Fraud & Anti-Corruption activities as follows “**Number of completed fraud/corruption investigations (including data matching exercises) = 5,000 per financial year**”.

4.2 Progress is as follows:

Fig. 1

April to September 2024	
Number of fraud/corruption cases investigated	3,163
Number of fraud/corruption cases detected	230
Success rates of fraud/corruption detection	7.27%

Below outlines the details of Fraud / Corruption related investigations and outcomes:

Fig. 2

Type of Investigation	Number of Cases Investigated	of Successful Outcomes
Number of sanctions (e.g., prosecutions, disciplinary actions).	0	0
Civil Penalties issued	0	0
Fraud / Corruption Code of Conduct Investigations	0	0
Fraud / Corruption Whistleblowing Investigations	0	0

Fig. 3

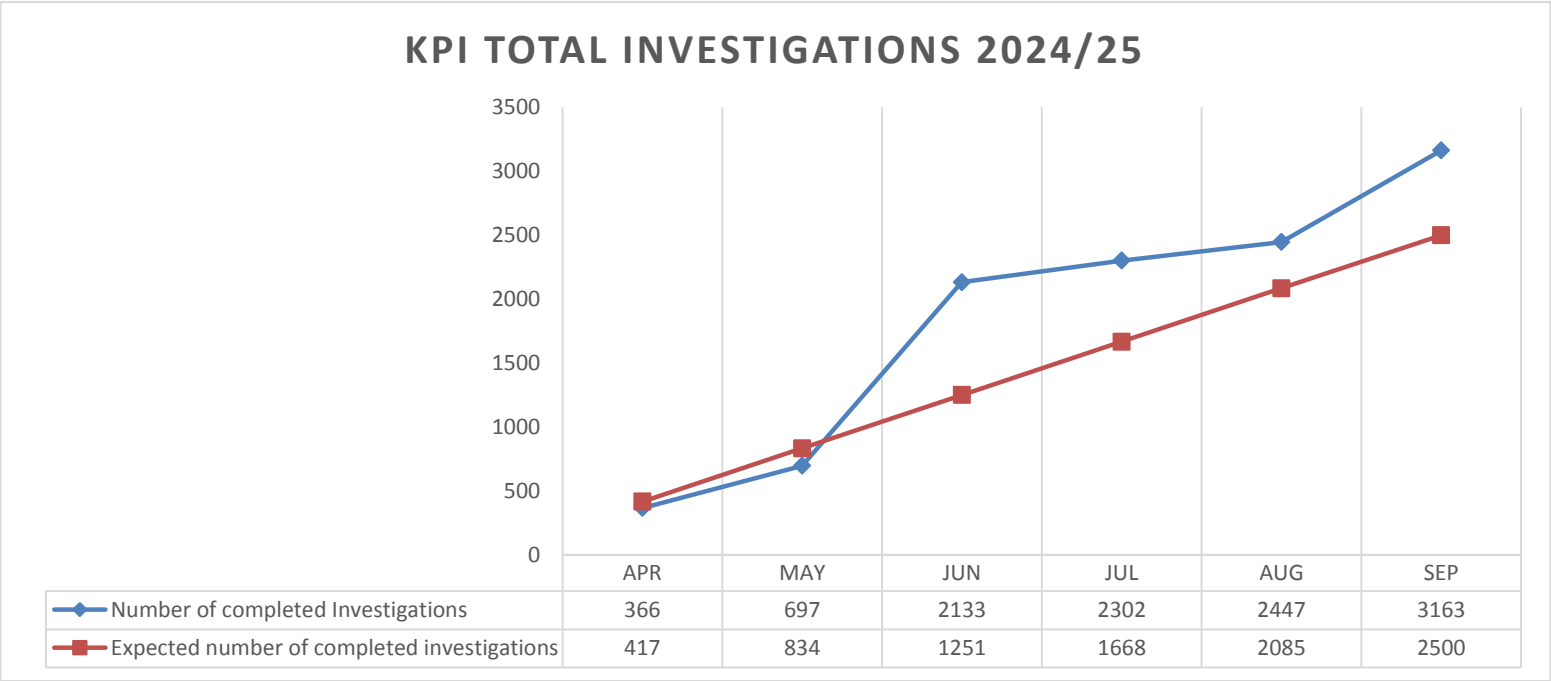
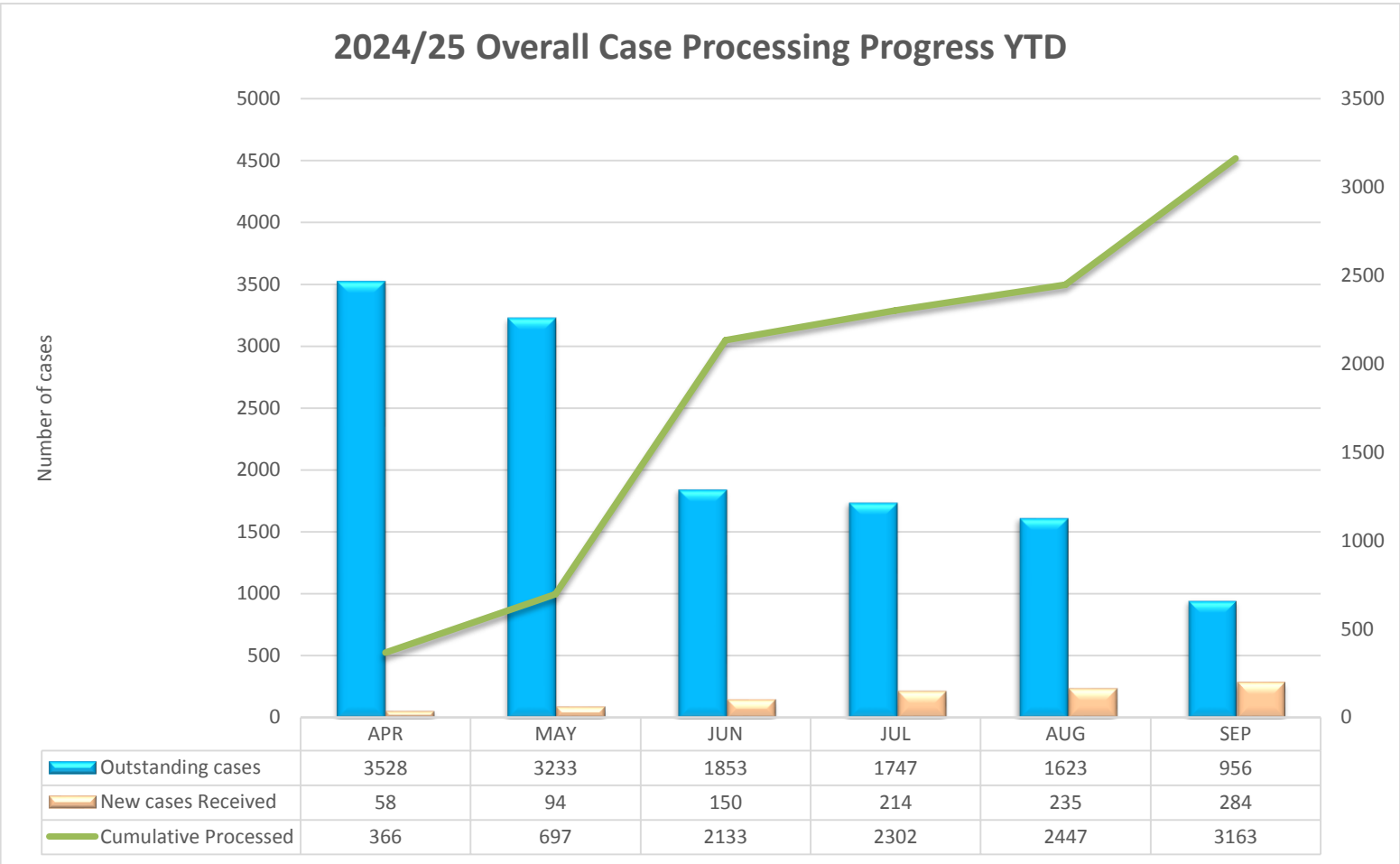
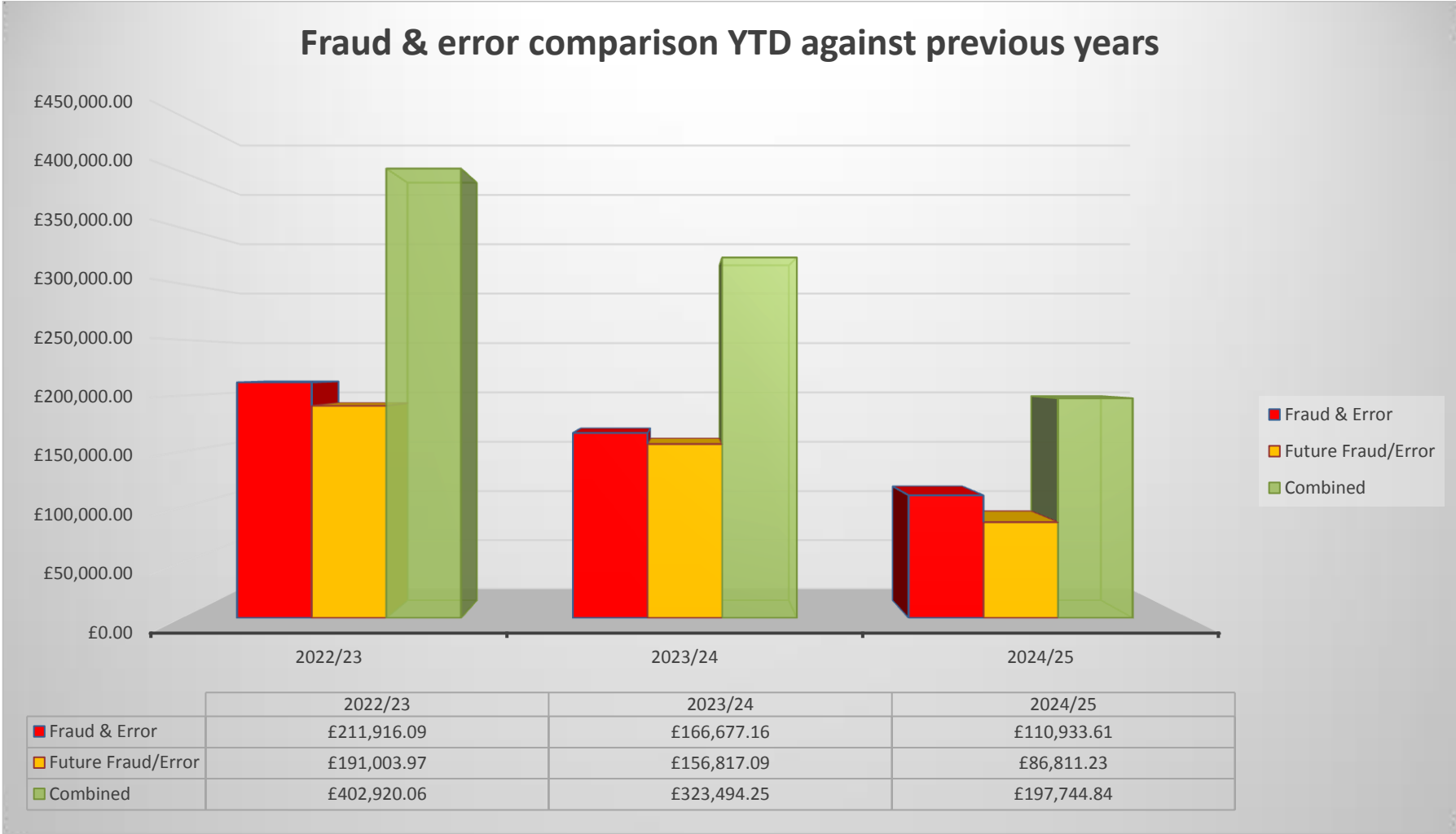


Fig. 4



**3,836 cases were brought forward from 2023/24, a total of 284 new cases have been received. 3,163 cases have been processed leaving 956 cases outstanding as at the end of September 2024.*

Fig. 5



4.3 SPD Canvass Review Project

4.3.1 The SPD Canvass Review project (funded by Norfolk County Council) has continued and has now completed year 4 of the project with good progress being made for year 5. We have received funding from Norfolk County Council for year 5 (2024/25) of £65,623.06.

4.3.2 Results from the SPD Canvass Review project to date – **Fig.6**

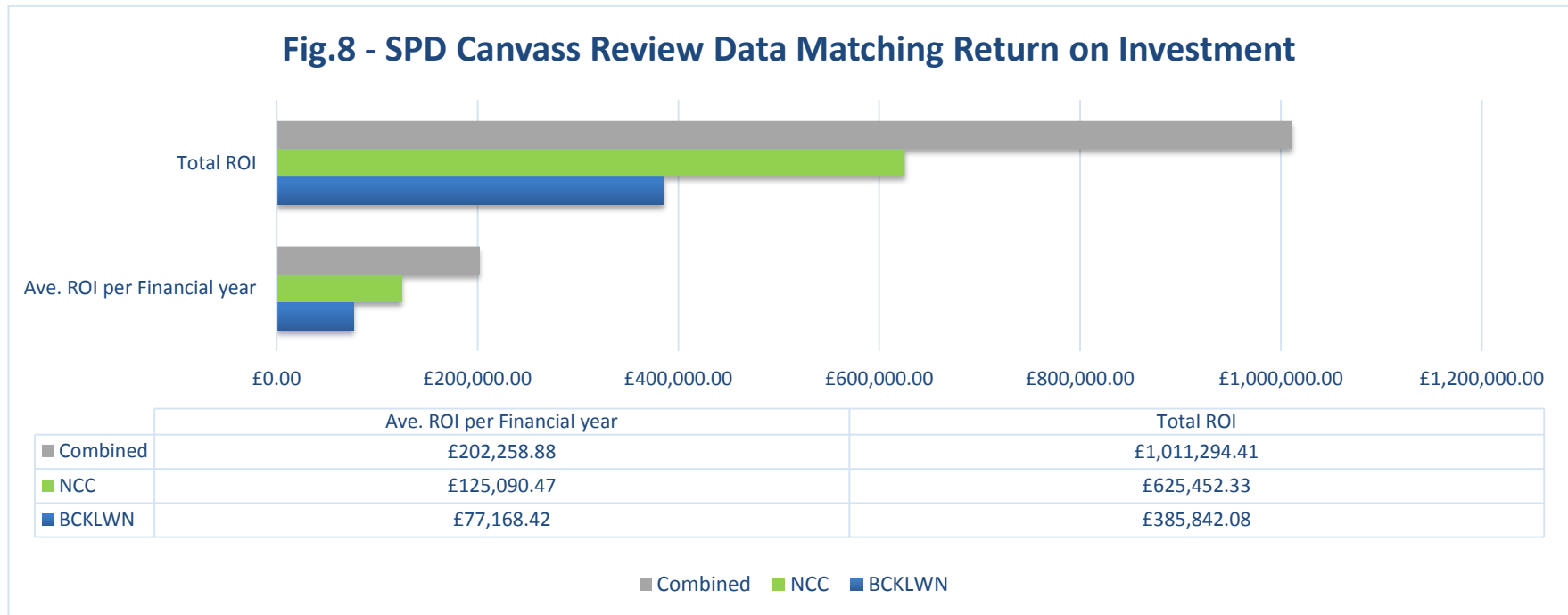
<i>Financial Year</i>	Council Tax Value Identified (£)	Additional Benefit Value Identified (£)
<i>Year 1 (2020/21)</i>	£130,200.27	£7,785.42
<i>Year 2 (2021/22)</i>	£129,190.22	£21,448.78
<i>Year 3 (2022/23)</i>	£386,850.49	£0.00
<i>Year 4 (2023/24)</i>	£233,647.04	£38,244.33
<i>Year 5 (2024/25 year to date)</i>	£185,848.37	£9,965.81
SUB-TOTAL	£1,065,736.39	£77,444.34
TOTAL		£1,143,180.73

4.3.3 Below is a table that outlines the number of matches we have received through the SPD Canvass Review project, 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

Year 4 (2023/24 financial year)	5,246	292
Year 5 (2024/25 financial year to date)	2,700	204
TOTAL	20,267	1,462

4.3.4 The “Return on Investment” from the SPD Canvass Review 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**



NCC calculation $£1,065,736.39$ (less Funding of Project (£236,993.40)) = $£828,742.99 \times 75.47\%$ (Share of Council Tax) = $£625,452.33$

BCKLWN calculation $£1,065,736.39 \times 6.70\%$ (Share of Council Tax) = $£71,404.34 +$ NCC Funding of Project (£236,993.40) + Additional Benefit Value (£77,444.34) = $£385,842.08$

4.4 Overall Data Matching Activities and other sources of referrals

4.4.1 Below provides an overview for all Data Matching and other sources of fraud and corruption referrals covered within the Internal Audit Department's current work programme of exercises being undertaken - **Fig.9:**

Source	Cases Processed	Errors Identified	Strike Rate	Value Detected
SPD & Premium	2,700	204	7.56%	£195,814.18
FraudHub	157	0	0.00%	£0.00
National NFI	259	0	0.00%	£0.00
Other sources	46	2	4.35%	£1,930.66
TOTAL	3,162	206	6.51%	£197,744.84

4.4.2 Outstanding matches and cases

Fig.10

Source	Outstanding	Percentage
SPD & Premium	743	78.21%
FraudHub	29	3.05%
National NFI	19	2.00%
Other sources	159	16.74%
TOTAL	950	100%

5. Debtor Tracing Activities

- 5.1 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.

- 5.2 One case was received and a total value of **£1,700.00** has been traced and passed back to the relevant departments for recovery purposes during the period April 2024 to September 2024.

6. Anti-Fraud & Anti-Corruption Culture

- 6.1 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. Periodic reminders are issued for staff and members to refresh themselves with the e-learning packages available.

- 6.2 Regular staff briefings are issued providing staff with useful information and furthermore details of what anti-fraud tools are available to them.

- 6.3 Exhibitions were held earlier in the year showcasing the activities undertaken across the organisation for staff to learn more about the work undertaken by colleagues. Three exhibitions were attended by the Internal Audit team to showcase the Anti-Fraud and Anti-Corruption and Internal Audit services which were well received by staff which included details of roles and responsibilities across the organisation, as well as a fraud quiz.

7. Compliance with the Anti-Fraud and Anti-Corruption Policy and KPIs

7.1 In terms of policy effectiveness, both the Anti-Fraud & Anti-Corruption Policy and the Anti-Money Laundering Policy have now been revised during the early part of 2024 and the progress referred to above within Section 4 show that the policies in the whole are effective and performance has exceeded the targets set. However, there is still a need to conclude the Fraud Risk Assessment exercise which has been delayed due to other work commitments and the following improvements in controls have also been made during the period April to September 2024:

- A Civil Penalty procedure has been developed for Council Tax Reduction Scheme purposes to introduce:
 - **Fixed Penalty:** £70 for negligence resulting in overpayment or potential overpayment.
 - **Penalties as Alternatives to Prosecution:** Minimum £100 (including attempted cases) to a maximum £1,000.
- A Council Tax & Non-Domestic Rates Refund Fraud Procedure has been produced to help prevent refund frauds that have become an emerging threat in the past few months.
- A new landing page is currently being developed for the Council's website in respect of Whistleblowing; additionally, quotes have been obtained for corporate training packages to be delivered across the organisation in respect of Whistleblowing.
- Regular staff briefings and publicity exercises have been carried out highlighting scam prevention tips for staff and local communities.
- As part of further work relating to the anti-fraud and anti-corruption culture across the organisation, engagement has been undertaken 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.

8. Forward-Looking Strategy

- 8.1 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”.
- 8.2 The planned activities are to continue to review the responses to the Fraud Risk Assessment to identify potential fraud risks across all service areas, evaluate the effectiveness of existing controls, and propose actions to mitigate identified risks.
- 8.3 NFI National Fraud Exercise, Annual NFI Recheck Exercise and Norfolk FraudHub data uploads are scheduled for October, December and January which will create a return of data matches for review and investigation.
- 8.4 The Senior Internal Auditor continues to be a member of the “Cabinet Office’s Fraud Hub user group”, the “Norfolk Fraud Hub”, the “Regional Fighting Fraud & Corruption Locally Operational Group” and Public Sector Fraud Authority’s “Community of Practice”, 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, as well as sharing best practices locally across Norfolk, regionally and between local government and central government.
- 8.5 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. A one-off option is also now available where any such cases arise with Hertfordshire Shared Anti-Fraud Service (Herts SAFs). 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.

9. GLOSSARY OF TERMS

DWP	Department for Work & Pensions	CTAX	Council Tax
NFI	National Fraud Initiative	LATC	Local Authority Trading Company
KPI	Key Performance Indicator	HB	Housing Benefit
SPD	Council Tax Single Person Discount	CTRS	Council Tax Reduction Scheme
HMRC	His Majesty's Revenues & Customs	YTD	Year to Date
Covid-19	Coronavirus pandemic		