

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	07/08/23		
TITLE:	Annual Fraud & Error Progress Report 2022-23		
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 2022 to March 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 to 2023/24 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

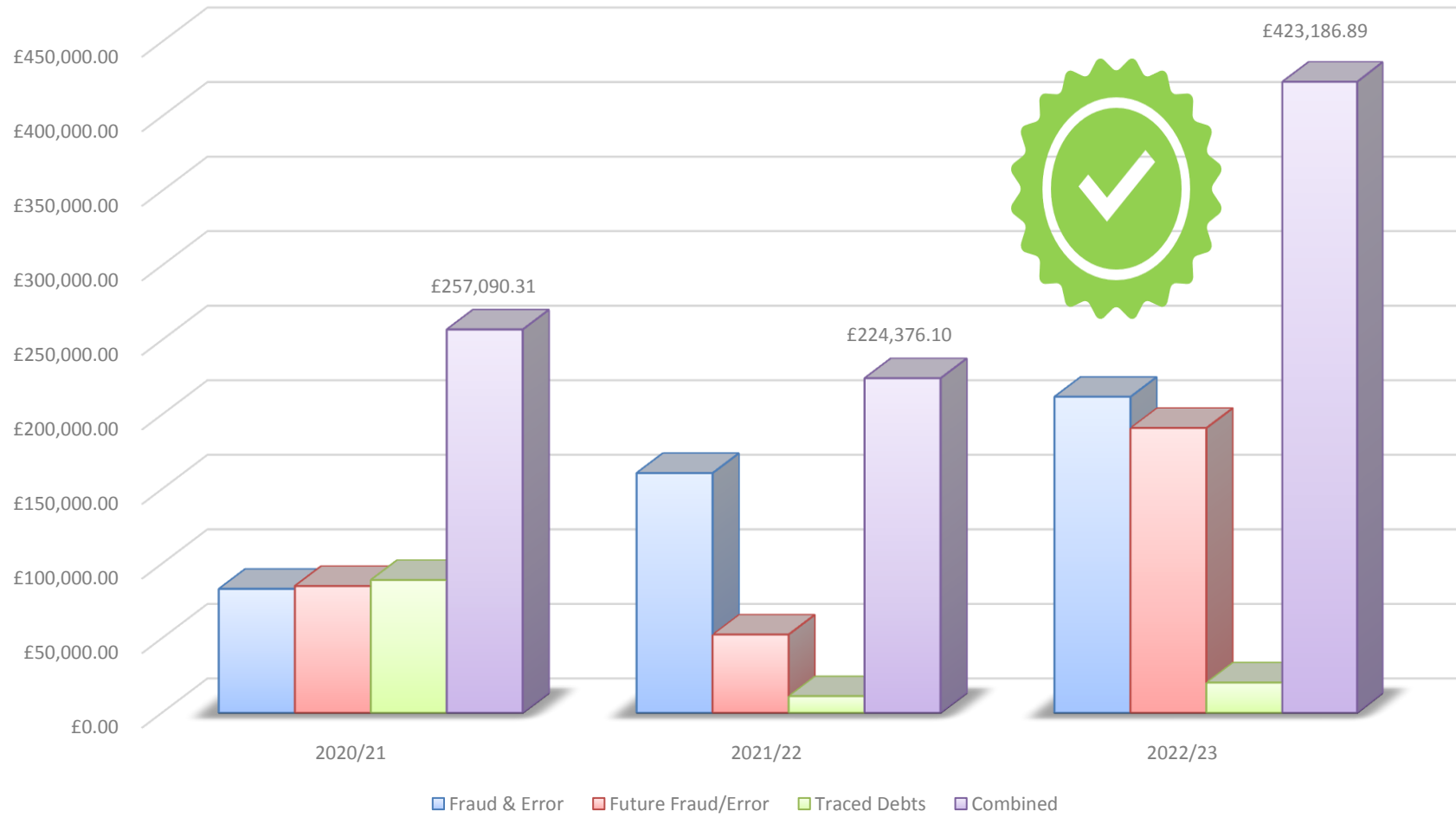
RECOMMENDATIONS:

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.

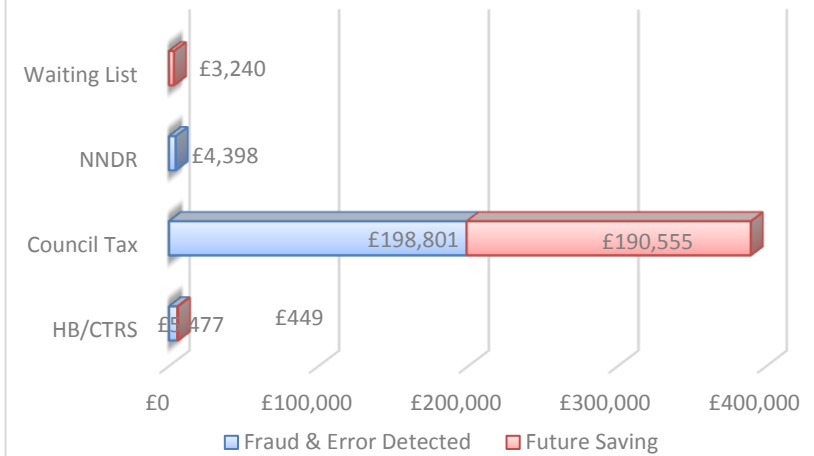
Fraud & Error Comparison to previous financial years - fig.1



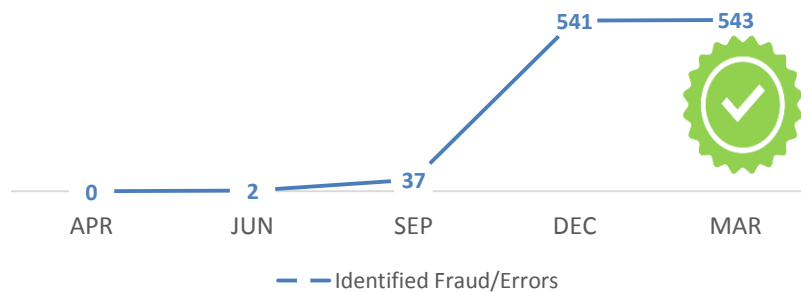
KPI TOTAL INVESTIGATIONS 2022/23 - FIG.2



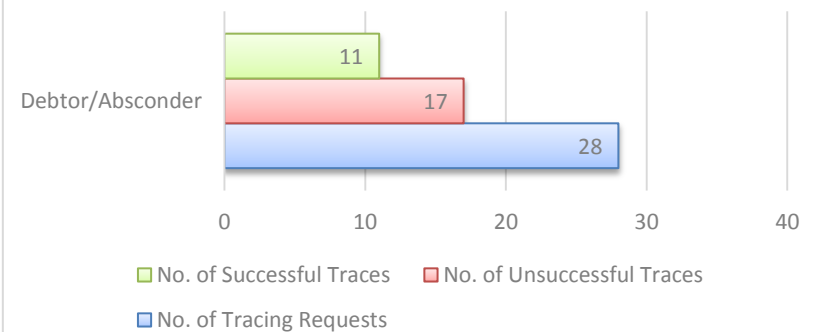
Detailed overview of Fraud & Error detected 2022/23 - fig.3

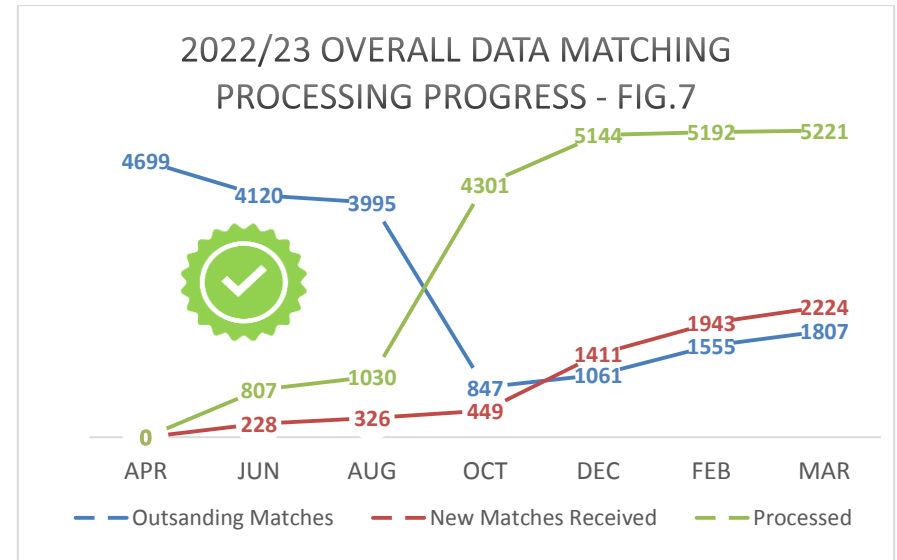
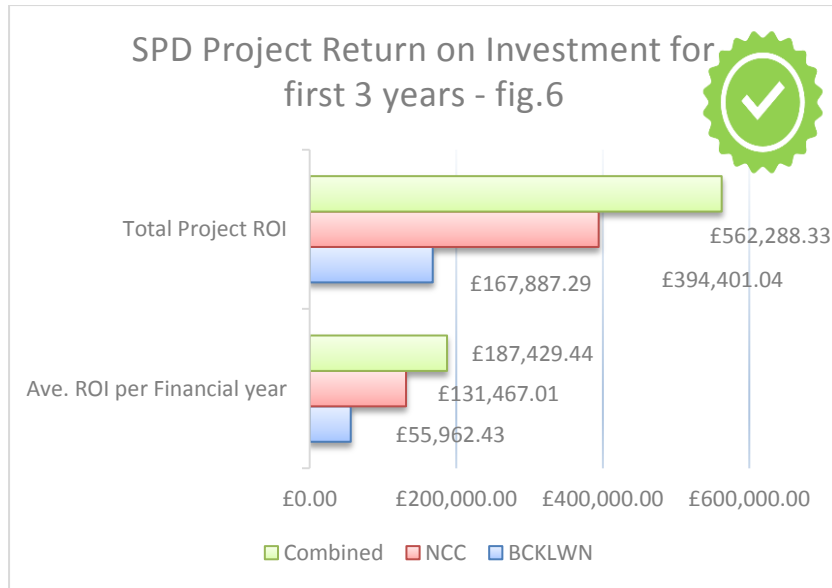


2022/23 IDENTIFIED FRAUD/ERRORS - FIG.4



2022/23 Debtor/Absconders - fig.5





Annual Fraud & Error Progress Report 2022/23

1. Report overview

1.1 This report is aimed to provide the following in respect of the period April 2022 to March 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 the National Fraud Initiative (NFI) and Norfolk Fraud Hub.
- A look forward to 2023/24 anti-fraud and anti-corruption related activities.

2. Key Performance Indicators

2.1 As part of the Directorate Service Plan for Resources the following Key Performance Indicators were 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. KPI - Financial Investigation Provision

3.1 Financial Investigations are a specialist area (as outlined in the half year report presented in November 2022). To date contact has been made with 4 organisations that have been identified as having an in-house financial investigation provision locally (Norfolk County Council, Cambridgeshire City Council, East Suffolk Borough Council and Peterborough City Council). 3 organisations have advised that they have no capacity to provide a provision. Having made enquiries (including with the other 5 district authorities within the Norfolk Fraud Hub membership), I am not aware of any other organisations locally who have such provisions. Further discussions have been held with Peterborough City Council around the potential for provisions to be put in place. Once details have been provided on the terms and conditions and confirmation that they have capacity to provide such a provision a briefing paper is to be presented to Management Team on this that includes the following options:

- To approve the exploration and procurement of corporate training regarding Proceeds of Crime, Money Laundering and Financial Investigations.
- To approve the negotiation and agreement of a financial investigation provision with Peterborough City Council.
- To do nothing and accept the current risks associated to not having any provision.

3.2 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.

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

4.1 5,293 completed investigations (105.86%) of the expected full year target (**see fig.2**).

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 Compared to 2021/22 the results for 2022/23 have seen a significant increase in volume detection from 201 cases to 543 (**271.50%**), this is largely due to the backlog of data matches which accrued during 2020/21 and 2021/22 because of the covid-19 pandemic. The position has now been recovered. (see fig.4)
- 5.5 The results shown in **fig.1** show a significant increase in value detection when compared against 2021/22. This again can be attributed to the recovery in the backlog of data matches accrued during 2020/21 and 2021/22 because of the covid-19 pandemic.
- 5.6 Total counter fraud related spend during 2022/23 was **£34,051.67**.

6. **Detailed Overview of Fraud/Error Detection**

- 6.1 A total of **543** cases has been identified to the total value of **£402,920.06**. (see fig.3)
- Waiting list – 1 case
 - NNDR – 1 case
 - Council Tax – 502 cases
 - HB / CTRS – 2 cases
 - Other identified errors – 37 cases (see 9.1 below)

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 who are responsible for debt recovery.
- 7.2 A total value of **£20,266.83*** has been traced and passed back to the relevant departments for recovery purposes, **fig.5** outlines the number of traces undertaken and the number of successful traces. **inc. 1 case where 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 and other Local Authorities

- 8.1 **Fig.1** shows the results from investigations during the current year in comparison to the previous two full financial years.
- 8.2 Having liaised with Breckland District Council (BDC) the following information can be compared to the fraud service that is delivered here at the Borough Council of King's Lynn & West Norfolk (BCKLWN):
- 8.3 BCKLWN have 0.5 FTE staffing resource assigned to its entire counter fraud & counter corruption activities, this encompasses the administration, investigation and management of fraud and corruption. BCKLWN investigate Tenancy Fraud commercially on behalf of social housing providers on a case-by-case basis when contact is received from social housing providers, and this is on a paid basis. There is limited resource available for this and there are rare instances of cases being highlighted for investigation. As part of the Norfolk County Council Funding, we have negotiated funding to support 1 FTE Inspection Officer within the Revenues Department which the Internal Audit Fraud Service is able to access to assist with the processing of changes/amendments to Council Tax and Business Rates accounts.
- 8.4 BDC have access to 1 FTE Council Tax Compliance Officer within Anglia Revenues Partnership (ARP). Within this post work is also carried out month by month on new Single Person Discount Awards and these savings are included within their annual Single Person Discount savings records. The new awards are reviewed on a risk basis using additional software systems paid for by Anglia Revenues Partnership. There is 0.5 FTE Fraud Officer dedicated to CTRS (Council Tax Reduction Scheme) Fraud and Investigations within the ARP team for BDC. ARP furthermore have a Fraud Manager and Assistant Fraud Manager which BDC have access to and who manage BDC dedicated Fraud Officer staff. Tenancy fraud is also investigated commercially on behalf of social housing providers within the 0.5 FTE BDC Fraud Officer role. Management of the Visiting Team within ARP also allows for proactive work to be carried out to identify both unregistered domestic properties, annexes, and business. There is 1 FTE Generic Visiting Officer per local authority within ARP responsible for Council Tax inspections, Business Rates Empty Property Inspections and monitoring new build properties. The annual savings records under Business Rates and Council Tax Reflect income generation within the team:

Breckland District Council 2022/23 Totals (fig.8)

LCTS	£48,821.31	
SPD	£273,565.68	
Tenancy Fraud	£93,000.00	
Business Rates	£100,903.44	
Council Tax	£114,480.11	
Band D equivalent (SPD)	280	55.5
Band D equivalent (CT)	45	12.4
Breckland Preceptor	£84,048.09	
TOTAL	£630,770.54	

8.5 Based upon the above Breckland District Council have access to additional staffing resource through the Anglia Revenues Partnership and have had more instances of Tenancy Fraud highlighted to them. Additionally, BDC include information within their reporting which in our arrangements relate to activities undertaken through our Benefits and Revenues Visiting teams which are located within the Revenues Department (i.e., elements of the SPD, Business Rates and Council Tax figures stated above). As such it is difficult to draw comparisons between the two organisations, but in terms of our own service delivery we appear to be providing a value for money service which more than funds its own delivery.

9. **Other Identified Errors**

9.1 **37** 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.2** and **fig.4**.

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, **fig.7** outlines the number of new data matches received, the number of processed matches and the number of matches outstanding during the financial year. The results of data matching activities are included in **fig.1**, **fig.2**, **fig.3** and **fig.4**.

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 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.

11.2 Results from the project to date – *fig.9*

Financial Year	Council Tax Value Identified (£)	Additional Benefit Value Identified (£)
Year 1 (2020/21 financial year)	£130,200.27	£7,785.42
Year 2 (2021/22 financial year)	£129,190.22	£21,448.78
Year 3 (2022/23 financial year)	£386,850.49	£0.00*
TOTAL	£646,240.98	£29,234.20*

**Year 3 additional benefit value not yet calculated*

Fig.10

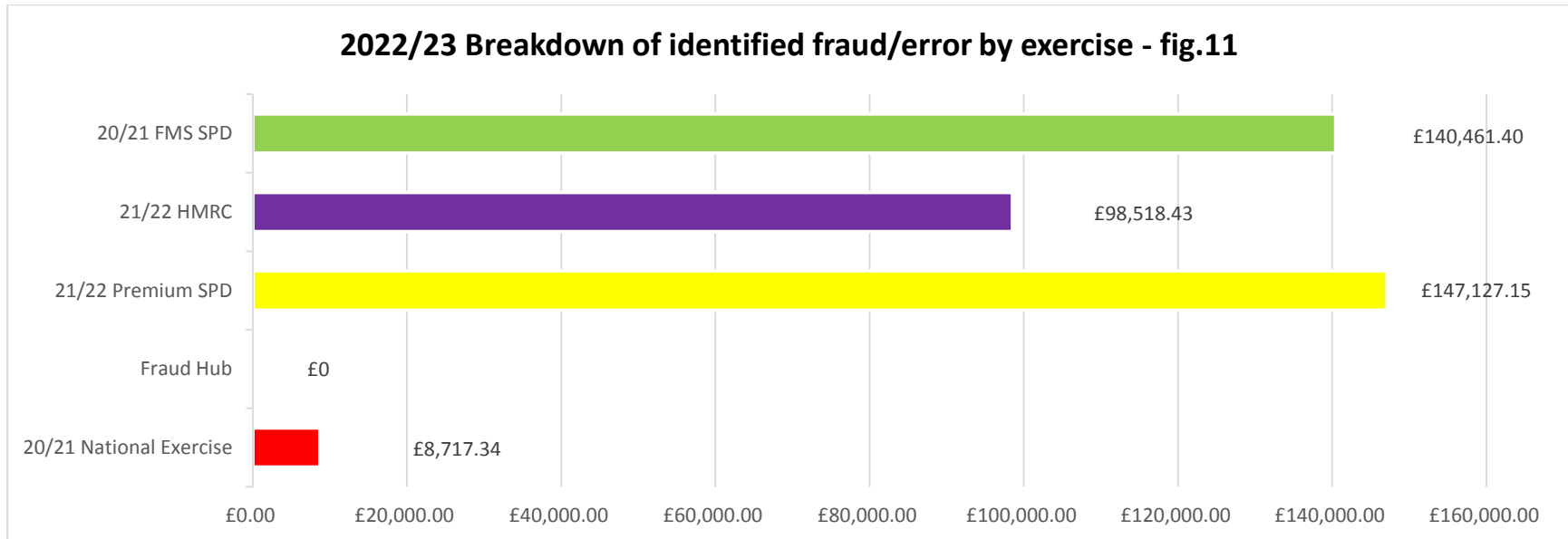
Financial Year	Matches Received	Errors Identified
Year 1 (2020/21 financial year)	4,564	254
Year 2 (2021/22 financial year)	5,856	180
Year 3 (2022/23 financial year)	1,901	532
TOTAL	12,321	966

11.3 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.6**.

12. Overall Data Matching Activities

12.1 A total of 4,699 data matches were carried forward from the 2021/22 financial year, during the financial year a further 2,328 data matches were received, with 5,221 being processed during the year meaning 1,807 have been carried forward to 2023/24 financial year. These matches relate to various data matching reports.

12.2

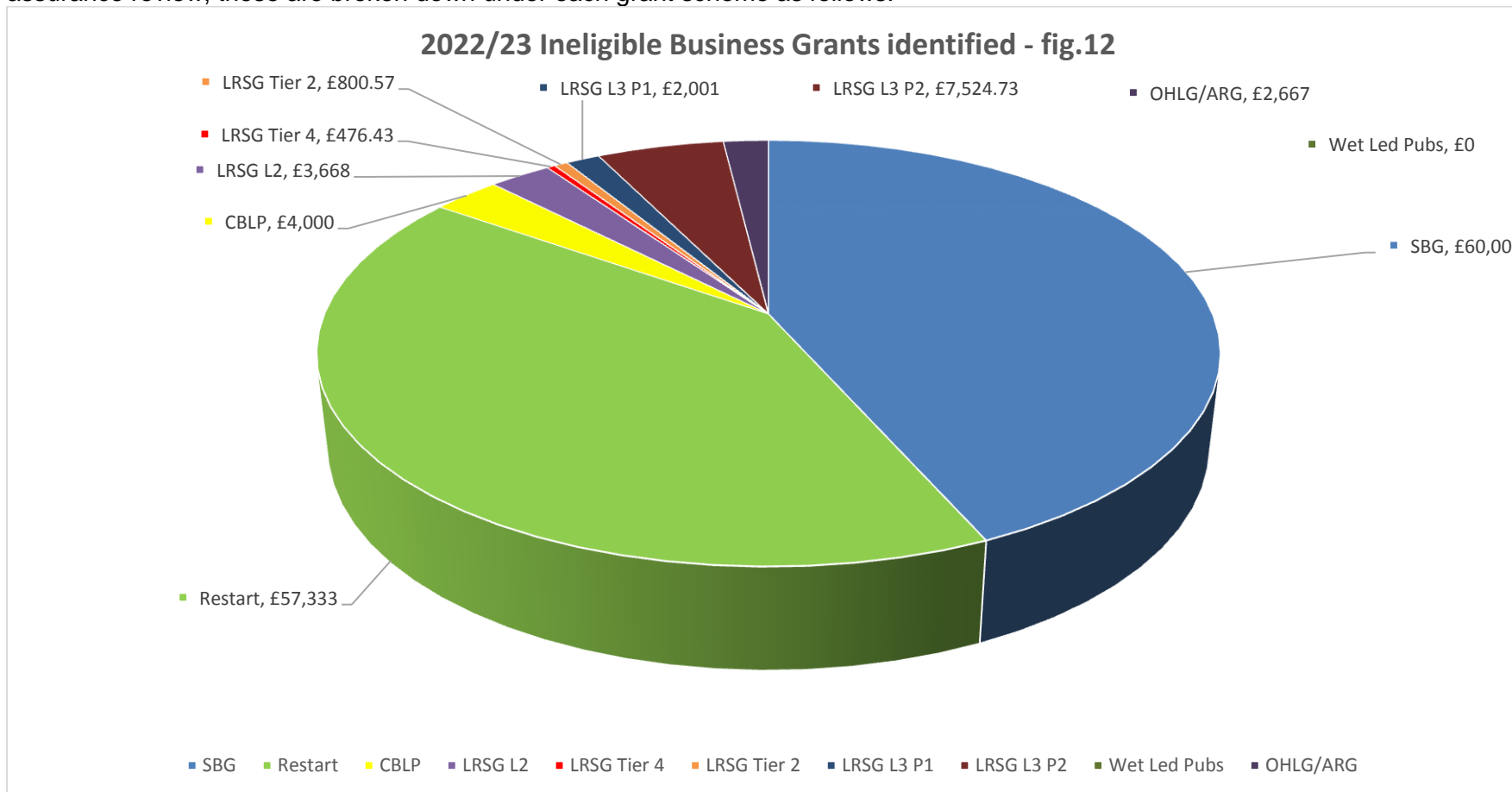


**these figures form part of the total identified fraud/error set out in fig.1 & fig.3.*

13. Covid-19 Business Grants

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

13.2 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 **£138,470.73** that they were not eligible for following post assurance review, these are broken down under each grant scheme as follows:

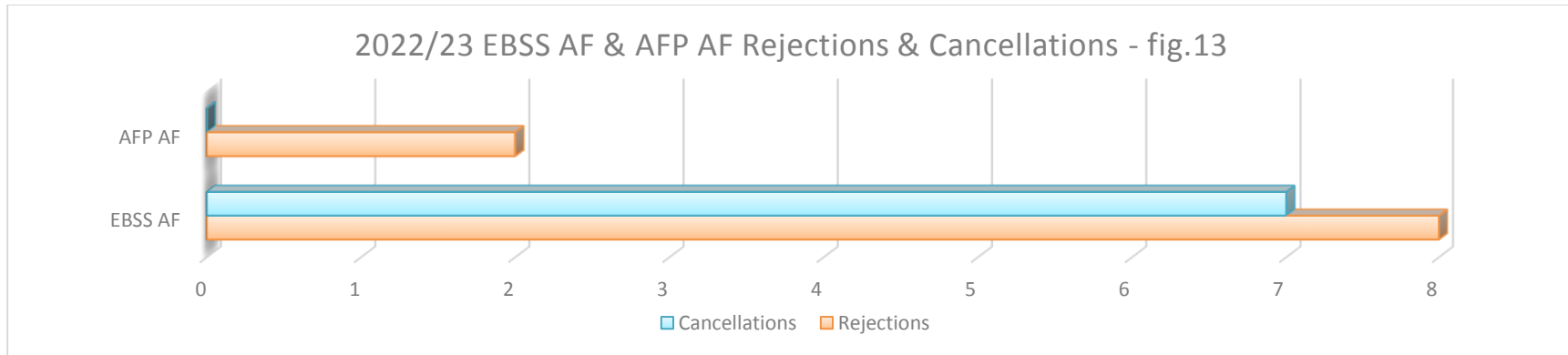


**these figures are not included within the total figures set out in fig.1 to fig.4.*

- 13.3 During the 2022/23 financial year **£46,537.40** has been recovered from the above total 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.
- 13.4 Overall **22** businesses have been identified to have received grants totalling **£188,470.73** to date since the commencement of all these Business Grant schemes.

14. Other Schemes

- 14.1 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.
- 14.2 Energy Rebate – This scheme is now closed with 60,000 payments having been made totalling £9.2m. These payments were made based upon our council tax records as at 1st April 2022, with the eligible customers having to have declared the residential address as their main residence from this date. Initially payments were made to those who paid by Direct Debit and then applications received from May 2022 for non-direct debit payers. From September to ensure customers did not miss out on this scheme payments were made direct to customer council tax bills.
- 14.3 Energy Bills Support Scheme (EBSS AF) and Alternative Fuel Payments (AFP AF) – These schemes were still open as of 31st March 2023 and there had been 484 payments made totalling £169,400. These schemes are to support meeting eligible recipients' energy costs. The dwelling must be the customer's main residence, the customer must be responsible for the energy used in the dwelling as part of a service charge, rent or other arrangement and had been impacted by increased energy bill costs passed onto them. They must not have already received Energy Bill Support Payments from the other Energy schemes and the dwelling must not be a business premises or other form of non-domestic premises (except where the main activity of the business is to provide long term residential accommodation (landlords, care homes, etc.)). Below are details of the number of rejected and cancelled applications through these 2 schemes upto 31st March 2023:



15. Anti-Fraud & Anti-Corruption Culture

- 15.1 Fraud awareness e-learning packages have been rolled out to officers in November 2022 and will furthermore form 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.
- 15.2 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.
- 15.3 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.

16. Projects/Future pipeline of activities

- 16.1 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.
- 16.2 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

Report	Matches received last time	Matches received for 2023/24	Difference %
CTAX to Electoral Register	1,409	880	-37.54%
CTAX Rising 18's	75	44	-41.33%
CTAX to Other Data	2,711	2,475	-8.71%
CTAX to HMRC	1,661	TBC	

**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 18.97% over the reports returned for 2023/24 to date.*

- 16.3 The Norfolk Fraud Hub has reconvened, and a quarterly schedule of data uploads has been established which commenced at the end of April 2023, this will therefore hopefully encourage additional workload and results from this area. 729 matches were received during 2022/23 financial year, but because of this we expect the number matches in this area to increase.
- 16.4 Data matches have been received in late 2022/23 for the bi-annual National Fraud Initiative exercise (675 matches had been received as at the end of March 2023, 693 were received in the 2020/21 exercise).
- 16.5 The proposed extension of the legislative data matching powers that NFI (the Cabinet Office's National Fraud Initiative) 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 have been suspended by Ministers currently, presumably due to the cost-of-living crisis.

- 16.6 Efforts are being made to re-engage with the Department for Work & Pensions (DWP) Fraud Service during 2023/24, there has been a breakdown in contact received from DWP since the beginning of the Covid-19 lockdown. As such efforts will be made to try and identify the challenges with stakeholder engagement between the Fraud Service delivered within the Internal Audit team and the Fraud Service delivered locally by the DWP.

- 16.7 Efforts will be continued to be made to establish a Financial Investigation provision for the Council.
- 16.8 As part of further work relating to anti-fraud and anti-corruption culture across the organisation work will 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.
- 16.9 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.