

Part A

Report to: **Audit Committee**

Date of meeting: **Thursday, 29 July 2021**

Report author: **Fraud Manager**

Title: **Annual Fraud Report 2021**

1.0 Summary

1.1 This report informs Members of the work of the Fraud Section for the financial year 2020-21.

2.0 Risks

2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
Failure to note report or understand the emerging risks.	A knowledge gap and lack of scrutiny could leave to a poor understanding of risks that could affect decision making.	Fraud Manager to attend committee to present report and answer questions arising.	Treat	4

3.0 Recommendations

3.1 To note the contents of this report.

Further information:

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Report approved by: Angela George, Interim Head of Finance

4.0 Detailed proposal

- 4.1 The fraud team works across all directorates to identify fraud and to provide a dedicated proactive counter fraud and responsive investigation service. It also works on behalf of the council to ensure that its counter-fraud arrangements are robust. Where fraud is suspected or identified, the team provides a professional and criminally compliant investigation service and advises on control measures that will prevent recurrence.
- 4.2 Despite the response to the coronavirus (COVID-19) pandemic, and the three lockdown restrictions being imposed with effect from 23 March 2020 the fraud team have worked effectively throughout the period.
- 4.3 In 2020/21 the fraud team have continued to provide resources by seconding two officers to Revenues and Benefits to assist in the payment of the various business rates grants and more recently for those customers that receive a Test and Trace Support Payment. This is a scheme which supports customers on low incomes who have been told to self-isolate. In respect of Watford BC, 1163 applications have been received. A number of applications did not meet the scheme criteria and were unsuccessful therefore of these 475 were paid.
- 4.4 The Fraud Manager during this same period was responsible for a county-wide initiative known as Operation Sustain. This scheme in collaboration with health and third sector partners – was to identify the population cohort who were not captured by SHIELD, but had an associated vulnerability meaning they required support / supplies to maintain their isolation and health. We utilised emergency legislation to match data from internal records across the council using algorithms with that of stakeholders and organisations such as NHS, Carers in Herts, CVS, Age UK, housing providers and Herts CC.

From the resulting data an additional 6000 vulnerable residents within the borough were identified and we were able to provide support during lockdown and beyond. The support included specific financial and practical support, emotional help, medical and health advice.

- 4.5 During 20/21 our ability to conduct investigations was severely hampered by the decision to work wholly from home in response to the Government lockdowns. Although the service was in an excellent position to work from home, as the IT infrastructure and working practices were already in place, the impact on our work resulted from the restrictions when working with others. The DWP Fraud and Error Service, who we work with on many cases, redeployed all counter-fraud staff to frontline delivery of Universal Credit and currently continue to be re deployed. Council staff were focused on the local responses to the Covid pandemic. We have been unable to interview witnesses or the subjects of investigations due to the restrictions. Furthermore, the courts dealing with civil and criminal matters were closed for all but the most serious matters.

- 4.6 COVID has facilitated new opportunities for criminals. Many current and emerging risks are identified from a number of sources. By raising awareness, we can prevent some of the most vulnerable in our communities from falling victim to fraud. These threats are also disseminated to relevant council staff and national bodies including the Cabinet Office, CIFAS/CIPFA/ NFIB, Natis, Police, UK Finance (representing the financial sector) and National Anti-Fraud Network (NAFN).
- 4.7 The fraud team have also worked closely with the Department for Business Energy & Industrial Strategy (BEIS) sharing data and intelligence about national scams that result in fraudulent grant applications.
- 4.8 The council fully complied with the statutory requirements of the National Fraud Initiative (NFI) 2020, with all datasets having been submitted. It is an exercise that brings together a wide range of organisations, working together to tackle fraud using techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. Participants of the NFI comprise of 1200 organisations that include other local authorities, police authorities and NHS bodies. These matches are not just confined to fraud but also include erroneous payments in respect of creditors and payroll. This year additionally we have matched business rates grants and will be conducting post assurance checks. We are now reviewing the resulting data. We have received 1200 high level matches. An example of the matches received is shown below. The results from this exercise will be reported at its conclusion in the 2022 report.

↻ 🔍 Housing Benefit Claimants to Student Loans	14
↻ Housing Benefit Claimants to Housing Tenants	2
↻ Housing Benefit Claimants to Housing Tenants	1
↻ 📞 Housing Benefit Claimants to Housing Benefit Claimants - Phone Number	1
↻ Housing Benefit Claimants to Housing Benefit Claimants	3
🔄 🔍 Housing Benefit Claimants to DWP Deceased	4
🔄 Duplicate records by postcode, invoice date and amount but different creditor reference and invoice number	1
🔄 Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	8
🔄 🔍 Duplicate records by name, invoice number and amount but different creditor reference	5
🔄 🔍 Duplicate records by invoice number and amount but different creditor reference and name	19
🔄 🔍 Duplicate records by amount and creditor reference	352
🔄 Duplicate creditors by creditor name	37
🔄 Duplicate creditors by bank account number	48
🔄 Duplicate creditors by address detail	56
↻ Discretionary Grants to Other Grants	1
🔄 Council Tax Reduction Scheme to Taxi Drivers	45
↻ 🔍 Council Tax Reduction Scheme to Taxi Drivers	114
↻ Council Tax Reduction Scheme to Taxi Drivers	1
↻ Council Tax Reduction Scheme to Taxi Drivers	21
↻ Council Tax Reduction Scheme to Right to Buy	1
↻ Council Tax Reduction Scheme to Right to Buy	1
↻ 🔍 Council Tax Reduction Scheme to Pensions	137
↻ 🔍 Council Tax Reduction Scheme to Pensions	24
↻ 🔍 Council Tax Reduction Scheme to Payroll	16

- 4.9 Post Covid-19 we have been responding to emerging risks identifying small rate relief fraud /error and companies not eligible for grants. Using data analytics from various sources we identified 61 cases for Watford and 56 for Three Rivers that were not eligible for the grant.
- 4.10 Data mining has now commenced for the 2021 Single Persons Discount (SPD) review (SPD). Data matching/mining allows us to better target existing and new frauds with increased volume and frequency of data. Embracing new technologies and techniques improves detection. SPD is available to Council Tax payers who are the only countable adult, over the age of 18, living at their property. People who qualify for the discount have their Council Tax bill reduced by 25%. We match Council Tax records against a variety of other data and identify addresses where the householder is in receipt of SPD on the basis that they live alone yet intelligence suggests there is at least one other person aged 18 or over in the household.
- 4.11 Fraud does not fit neatly within geographical boundaries of the Council. Therefore the fraud team have an important role in collaborative working involving the exchange of information and intelligence between the Council and other agencies on national and local fraud and corruption activity. This may also include responding to requests for information, providing the necessary evidence and witness statements to prevent and detect crime.

4.12 We are currently investigating an emerging fraud following the government introduction of the restart grant which is to support non-essential retail, hospitality, accommodation, leisure, personal care and gym businesses.

Grants of up to £6,000 can be paid to non-essential retail business premises, to help them reopen safely. Grants of up to £18,000 can be allocated to hospitality, accommodation, leisure, personal care and gym business premises, which may open later under plans set out in the roadmap.

Following some data mining we have identified 56 fraudulent applications and from resulting intelligence gathered identified numerous other local authorities that have been subject to this fraud. Consequently, we are working closely with the Government, National Anti-Fraud Network and the financial institutions to share intelligence and limit the losses that LAs have been exposed to. We are now also working closely with Natis (National Investigation Service) to investigate this serious organised fraud.

5.0 **Implications**

5.1 **Financial**

5.1.1 The Shared Director of Finance comments that there are no financial implications in this report as expenditure is contained within existing budgets.

5.2 **Legal Issues** (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that there are no specific legal issues contained in this report.

5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

5.4 **Staffing**

5.4.1 No implications.

5.5 **Accommodation**

5.5.1 No implications.

5.6 **Community Safety/Crime and Disorder**

5.6.1 No implications.

5.7 **Sustainability**

5.7.1 No implications.

Appendices

None

Background papers

No papers were used in the preparation of this report.