

Part A

Report to: Audit Committee

Date of meeting: Thursday, 28 July 2022

Report author: Fraud Manager

Title: Fraud Annual Report 2022

1.0 Summary

1.1 This report informs members of the work of the Fraud Section for the financial year 2021 to date and provides updates on progress and developments.

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

To note the contents of this report.

To approve the revised Anti Fraud and Corruption Strategy , Sanctions Policy and Anti-Bribery Policy attached at appendix 1.

Further information:

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Report approved by: Hannah Doney

4.0 Detailed proposal

4.1 This report informs members of the work of the Fraud Section for the financial year 2021 to date and provides updates on progress and developments.

4.2 Details.

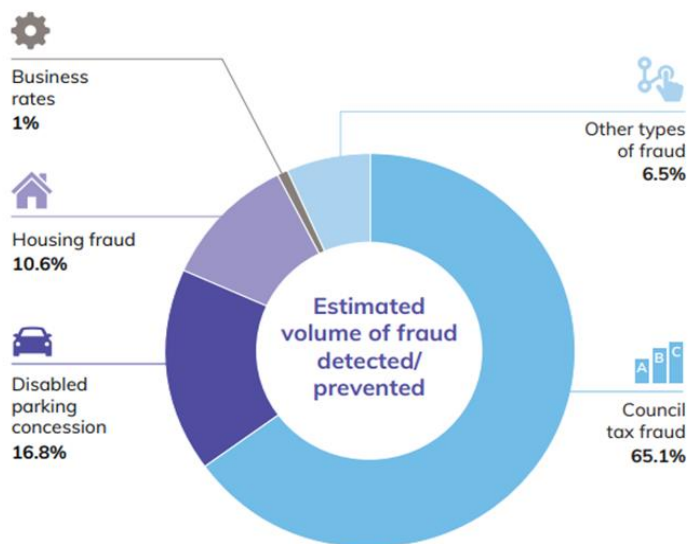
4.3 The Fraud Section is part of the shared Finance Service with Watford and Three Rivers. The details below apply to both councils unless otherwise stated.

4.4 The Councils have a zero tolerance of fraud and corruption.

4.5 Minimising fraud and irregularity is essential to ensure resources intended to provide services are maintained. Fraud is a crime that affects everyone. According to the latest annual fraud tracker which provides the latest set of government sanctioned estimates, calculated pre Covid, fraud costs the public sector at least £40.3bn annually, £7.8bn of which is specifically in local government. Shown below is the estimated volume of fraud detected by category nationally.

4.6 The harm caused by fraud is not just financial: it damages local communities, can cause reputational damage and a loss of confidence amongst the public, stakeholders and have an adverse effect on staff morale.

4.7



4.8 It is vital therefore that we have a strong anti-fraud culture underpinned with effective counter-fraud policies and good practice procedures.

4.9 Attached for approval at Appendix 1 is a revised draft Anti-Fraud & Corruption Strategy. This Anti-Fraud and Corruption Strategy is the mechanism for achieving a commitment to reduce losses to fraud and corruption to a minimum. Supporting this

strategy there are controls that individually and collectively contribute to effective control environments at both Councils, and therefore to the prevention, detection, and investigation of fraud and corruption. They include for example sound financial management, effective and well-documented internal controls and an effective Sanctions Policy.

- 4.10 Included as Appendices to the Anti-Fraud and Corruption Strategy are the Sanctions Policy and Anti-Bribery Policy. Both also have been revised. The Sanctions Policy sets out the Councils policy towards sanctions, including criminal prosecutions, relating to offences committed by both internal (e.g. employees, members, contactors, etc.) and external offenders. The Anti-Bribery Policy provides a framework to enable employees and Members to understand and implement arrangements enabling compliance.
- 4.11 The Councils Regulation of Investigatory Powers Act 2000 (RIPA) policy also has also been recently updated. Both Councils having been inspected by the IPCO (Investigatory Powers Commission Office), Watford BC in 2021 and Three Rivers DC in 2022. Refresher training was also provided to staff. It is important the policy remains current and aligns to the ever changing codes of practice.
- 4.12 For information the Council may only authorise the use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable by a maximum term of at least 6 months imprisonment or are related to the underage sale of alcohol and tobacco or nicotine inhaling products. Furthermore, where officers conduct online monitoring or investigation covertly for the purpose of a specific investigation and is likely to result in the obtaining of private information about a person or group, an authorisation for directed surveillance must now be considered. Guidance is available with the policy on the intranet.
- 4.13 In 2022 the Councils were inspected by the DVLA. The purpose of the audit was to confirm the reason for each data request we submitted, to examine what evidence was available to support these requests, and to assess whether the data being accessed and used was lawful. The assurance report received on completion confirmed no issues were observed.
- 4.14 Fraud does not fit neatly within geographical boundaries of the Councils. Therefore the fraud team have an important role in collaborative working involving the exchange of information and intelligence between the Councils 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.
- 4.15 The Councils are committed therefore to providing a proportionate and efficient value for money anti-fraud service which understands and acknowledges our fraud risks. Unfortunately, COVID-19 and the associated grants that were available

presented new opportunities for criminals. Many current and emerging risks are identified from a number of sources including the National Anti-Fraud Network (NAFN) and other law enforcement agencies. 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.

- 4.16 In 2021/22 resources from the fraud section were diverted to assisting with front line services and specifically processing various grants available at that time.
- 4.17 The Test and Trace Support Payment administered was a grant available for people on low incomes who had to self-isolate because they had notified as a close contact of someone who had tested positive for COVID-19. The scheme closed on the 6 April 2022. The data below is from April 2021.

TRDC	
Total applications	895
Rejected:	392
Accepted:	503
Total amount paid:	£251,500.00
<u>WBC</u>	
<u>Total applications:</u>	1570
Rejected:	877
Accepted:	693
Total amount paid:	£346,500.00

- 4.18 During 2021/22 we have responded to 32 requests for intelligence. This involves sharing information legally for the correct purpose and includes providing witness testimony when required.
- 4.19 We have responded to 20 Laiefs (Local Authority Information Exchange Form) from the DWP (Department for Work and Pensions).
- 4.20 Joint working with the DWP has yet to re commence following Covid and DWP staff remaining on secondment.
- 4.21 The Council is currently investigating a cross border fraud involving applications for Business Rates Covid-19 restart grants. These grants were applied for online and 56 fraudulent applications that were made have been identified. These applications include false email addresses, contact telephone numbers and mule bank accounts. Mule bank accounts are created by criminals using stolen or synthetic identities and include a blend of legitimate and fake customer information. The matter remains under investigation with other organisations affected. It is hoped early intervention

and the sharing of relevant information nationally limited the losses and prevented £450,000 in grants being paid.

- 4.22 In respect of Council Tax Reduction, a local legal framework is in place to define who is entitled to the reduction and to reduce fraud from entering the system at inception. It is an integral part of the administration that everyone is aware and vigilant of the risks. Unfortunately, however good the administration of benefits is, it is always likely fraud will enter the system by deliberate acts.
- 4.23 A total of 137 cases relating predominantly to Council Tax Reduction were completed with savings identified through overpayments of £146,000.

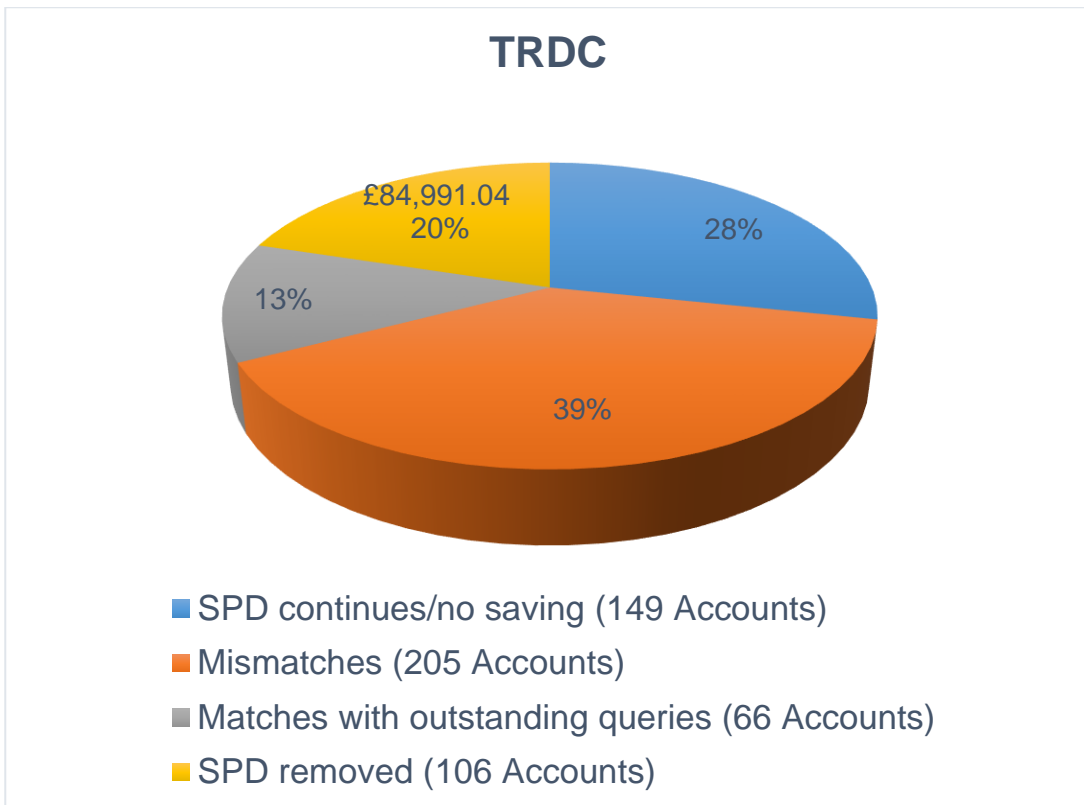
Data Matching

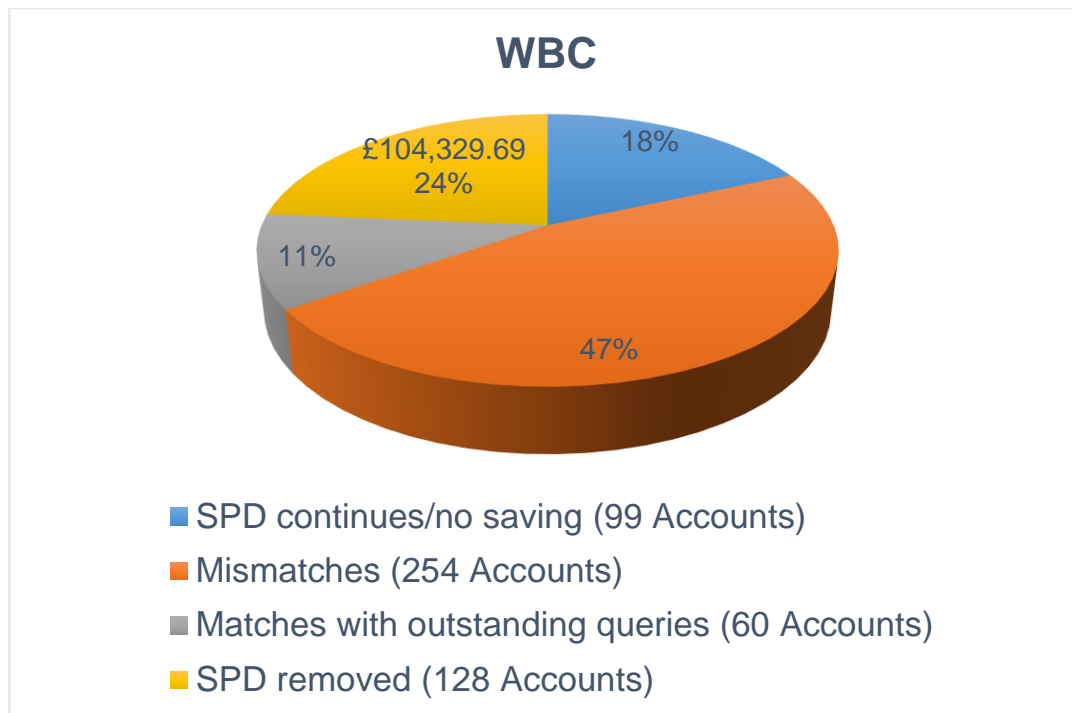
- 4.24 The service continues to take part in data-matching exercises. These include the National Fraud Initiative (NFI) which is facilitated by the Cabinet Office. It is an exercise that brings together a wide range of organisations, working together to tackle fraud using techniques to compare information 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 include 1200 organisations that include for instance other local authorities, police authorities, NHS bodies etc. These matches are not just confined to fraud but also include erroneous payments in respect of creditors and payroll. These matches are likely to include grant fraud once testing is completed. Examples of some matches are shown below;

Data Match	Possible fraud/ error
Council Tax payments to payroll records, student loans, taxi drivers	Claiming discounts or reductions by failing to disclose an income
Payroll records to records of failed asylum seekers and records of expired visas	Obtaining employment while not entitled to work in the UK
Council Tax records to electoral register	A council tax payer gets single person's discount and has not declared other persons living in the property
Payroll records to other payroll records	An employee is working for TRDC/WBC but has employment elsewhere that is not declared.
Immigration matches	To identify instances where the person may not be entitled to benefit because of their immigration status.
Housing waiting lists	To identify possible cases where an individual appears to be resident at two

	different addresses. For example where an address differs from the one they have declared on their waiting list application
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- 4.25 Additional data mining is continuing in respect of Single Persons Discount (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 Single Persons Discount on the basis that they live alone yet intelligence suggests there is at least one other person aged 18 or over in the household.
- 4.26 The current SPD data matching exercise identified 1734 cases for review. These have identified combined savings to date of £189,500 for Three Rivers DC and Watford BC, broken down as follows:





4.27 These figures do not include estimates of the ongoing losses that would have occurred if the wrongly claimed discounts hadn't been identified and removed. All wrongly claimed discounts have to be repaid in full.

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

- Anti-Fraud & Corruption Strategy

Background papers

- Cipfa Counter Fraud Centre.

