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| Subject: | Annual Fraud Report 2020/21 | Status: | For Publication | | |
| Report to: | Audit & Accounts Committee | Date: | 28 th July 2021 | | |
| Report of: | Fraud & Compliance Officer | Portfolio Holder: | Resources | | |
| Key Decision: | <input type="checkbox"/> Forward Plan <input type="checkbox"/> | General Exception | <input type="checkbox"/> | Special Urgency <input type="checkbox"/> | |
| Equality Impact Assessment: | Required: | No | Attached: | No | |
| Biodiversity Impact Assessment | Required: | No | Attached: | No | |
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| 1. | RECOMMENDATION(S) |
| 1.1 | Members are recommended to note the content of this report. |

2. PURPOSE OF REPORT

2.1 To provide details of the Fraud & Compliance work completed and the sections performance results during the period from 1st April, 2020 to 31st March, 2021.

3. BACKGROUND

3.1 Local authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. There is a duty to have effective controls and procedures in place to prevent, detect, deter and investigate fraud and error in Council Tax Support, Council Tax and Business Rates. The responsibility for Housing Benefit fraud investigation transferred to the Department for Work and Pensions (DWP) on 1st May 2015, along with the Council's Fraud Investigation Officer at that time. The Council made a decision to employ a Fraud and Compliance Officer, to prevent, detect, deter and investigate fraud within the Revenues area.

This report updates the Committee on the work undertaken in the previous financial year and the success that has been achieved in identifying fraud. This has resulted in a saving to the Council and partner organisations. Having the service also provides assurance that if major fraud is attempted, there are systems in place to identify and prevent this.

3.2 The objectives of the Fraud and Compliance Function is to:

- Protect public funds.
- Undertake fraud prevention measures.
- Detect and stop fraud, thus making financial savings to the Council.
- Conduct investigations, implement sanctions and recommend appropriate follow on action in line with the Investigation, Sanction & Prosecution Policy, which is updated annually.
- Ensure that investigations comply with the appropriate regulations.
- Increase fraud awareness.

3.3 PARTNERSHIP WORKING

The Fraud and Compliance Officer acts as Single Point of Contact (SPOC) for:

- Providing information on Housing Benefit investigations to the DWP.

- Liaising with the Police and other local authorities/agencies by dealing with requests for information under the Data Protection Act and other legislation.

This is work which would otherwise have been allocated to the benefit assessment team.

The Council is an active member of NAFN (National Anti-Fraud Network). NAFN's key services include:

- Acquiring data legally, efficiently and effectively from a wide range of information providers.
- Acting as the hub for the collection, collation and circulation of intelligence alerts.
- Providing best practice examples of process, forms and procedures.

The council works closely with Lancashire and Greater Manchester local authorities and meets regularly with other counter fraud practitioners to discuss common counter fraud issues and best practice.

3.4 COVID-19

The country went into the first lockdown towards the end of the 2019/20 financial year, on 23rd March, 2020. For the first three months of this financial year the Fraud & Compliance activity was stopped to focus on the immediate Covid response and the checking of Small Business Rate Grant [SBRG] applications, including conducting sample checks of SBRG's approved by others.

It is apparent that councils all over the country have been the target of fraud. The Fraud and Compliance function has been reacting to fraud and attempts thereof. This has temporarily changed the focus of the work.

There have been 73 Covid related business rate grant fraud referrals. During 2020/21 36 cases were closed. The table below shows the reasons these were closed.

| Closure Reason | Number of Cases |
|--|-----------------|
| Recommendations Made/Attempted fraud [no financial loss] | 17 |
| Attempted Organised Fraud [no financial loss] | 4 |
| No Fraud/No Further Action | 15 |

The police's National Investigation Service [NATIS] are investigating the organised and cross boundary fraud activities targeting Local Authorities.

NAFN produced intelligence alerts notifying its Local Authority members of organised criminals targeting the grant schemes by submitting fake applications in the names of legitimate companies. Checking these alerts timeously prevented payment of grants to the organised criminals.

3.5 NATIONAL FRAUD INITIATIVE

The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office, to assist in the prevention and detection of fraud. Data is collected from around 1,200 participating organisations across public and private sectors including government departments. Data matching involves comparing sets of data electronically, such as the

payroll or benefit records, against other records held by the same or another body to see how far they match. The data matching focuses on the identification of potentially fraudulent claims.

In January 2021, the NFI released the first biannual set of data matches to all Councils for review, they will from time to time update these adding extra matches.

Checks comparing the match against Housing Benefit and Council Tax Support records are undertaken. Housing Benefit fraud identified is referred to the Department for Work and Pensions for investigation. The Fraud and Compliance function will investigate Council Tax Support fraud.

This year 155 matches in total have been released, these are as follows

| Council Tax Reduction Scheme | | Housing Benefit Claimants | |
|------------------------------|---------|---------------------------|---------|
| Risk | Matches | Risk | Matches |
| High | 19 | High | 13 |
| Medium | 80 | Medium | 1 |
| Low | 31 | Low | 8 |
| Nil | 3 | Nil | 0 |
| Total | 133 | Total | 22 |

The Fraud and Compliance Officer has checked 85 matches so far, 5 cases have led to further enquiries, either a referral to DWP, benefit reassessments or an investigation. The Fraud and Compliance function will report further on the outcome of these matches in next year's report.

3.6 FRAUD AWARENESS TRAINING

Fraud awareness sessions occur on a rolling basis for Revenues, Benefits and One Stop Shop staff. These sessions include:

- The security of claims (including staff declaring an interest in any claims/properties)
- What is fraud within the differing areas of Revenues and Benefits
- Fraud in the 'hidden economy' incorporating what to look out for
- A general Question and Answer session.

New Council employees and members have to complete an online fraud awareness course, as part of their induction to the Council. An external company previously hosted this online training, however, the contract for this has ended. A new fraud awareness course has been created. Once finalised it will be hosted on Rossendale BC's intranet.

A fraud awareness session was presented to the Finance & Exchequer Team, specifically relating to the Covid-19 Business Rates grant fraud, as that team process the grant applications.

3.7 SURVEILLANCE

Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). During 2020/21 no cases were identified for surveillance.

3.8 SPECIAL EXERCISES

There were no special exercises during 2020/21, due to the pandemic.

3.9 NEW INITIATIVES

From 29th April 2019 the Council has signed up to a national offer of joint working with officers from the DWP on allegations of fraud which include Council Tax Support. This was a voluntary scheme.

The Fraud and Compliance Officer and a criminal investigator from the DWP will work together on suitable cases. This includes close liaison during the investigation and the lawful sharing of evidence obtained. Both officers will interview the customer under caution, once the evidence gathering process is complete. The DWP will refer suitable cases to the Crown Prosecution Service for consideration of legal proceedings in respect of the DWP and local authority offences.

The advantages of the joint working include:

- DWP have a specialist surveillance team who will conduct any surveillance required.
- The customer having to attend one interview.
- One case proceeding through the courts at the same time.
- Local authorities do not pay any prosecution/legal costs.

The Fraud and Compliance Officer started joint working on four cases, however, due to Covid-19 DWP Investigation Officers are temporarily assisting with other duties within their organisation. These investigations are continuing and it is hoped the DWP Investigators will re-join the investigations once they return to their duties.

It has been agreed that the DWP will conduct interviews under caution at the Rossendale One Stop Shop. This will commence once the Covid restrictions have been removed, the infrastructure and risk assessments have all been completed and agreed.

3.10 PERFORMANCE AND STATISTICS

During 2020/21 158 allegations of fraud were received from various sources such as anonymous referrals, the Council's online fraud referral form, the HB/CT processing team, the Business Rates team etc.

| Fraud Area | Number of Referrals |
|--|---------------------|
| Council Tax Support | 53 |
| Housing Benefit | 29 |
| Council Tax [single person discount/exemptions etc.] | 48 |
| Business Rates [grant fraud/small business rate relief fraud etc.] | 83 |

During the 2020/21 year 37 cases were referred to the DWP for their consideration. The DWP's Criminal Investigation Team issued no requests for information in relation to their investigations relating to Housing Benefit fraud. There were 4 requests from the DWP's Compliance Team for further information, in relation to their non-criminal investigations.

Following the Fraud And Compliance Officers involvement/investigations, the following overpayments/adjustments were identified

| Area | Value |
|-----------------------------------|-----------|
| Housing Benefit overpayment | £12976.61 |
| Council Tax Support adjustment | £7592.94 |
| Single Person Discounts withdrawn | £3213.65 |
| Council Tax Exemptions withdrawn | £6948.05 |

Two £50 Housing Benefit, six £70 Council Tax Support and one Council Tax Single Person Discount penalty of £70.00 were applied.

An additional methodology to identify counter fraud performance is also in place. This is because when a claim for an allowance, discount, reduction, benefit or exemption ends or reduces as a result of an intervention by the Fraud and Compliance function, the value of the intervention is actually not just the amount of any overpayment that has occurred.

It is recognised that there is also a “future” saving, resulting from preventing further incorrect payments being made. In these cases, the weekly amount of reduced entitlement that is applied following a counter fraud intervention is multiplied by 52. It is reasonable to believe that the award would have continued for an average of one year, had no intervention taken place. This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group.

The weekly figure for the Council is £89.52, giving estimated “future” savings for 2020/21 of £4,655.04. It should be noted that “future” savings can only be estimated, but do help demonstrate another benefit to the Council of undertaking counter fraud work. This saving is only calculated against Council Tax Support.

Also £27,869.81 of exemptions were withdrawn following investigations into National Non Domestic Rated properties [Business Rates].

Additionally, the prevention of approximately £210,000 of Business Rate Covid grants from being paid. [Central government funds].

The “Analyse Local” System is utilised to generate additional income, by finding business rates and rateable values that are not on our system and increased rateable values on business premises. During 20/21 the use of Analyse Local to assist in business rates forecasting generated a total additional rateable value of £87,250. Based on the 2020/21 rate multipliers and for a full year this equates to £44,194.25 in gross rates payable.

Of note, very few civil penalties were applied during 2020-21 for a number of reasons, mainly due to Covid-19, not interviewing customers and the work of the Fraud and Compliance function being predominantly focused on Business Rate Grant fraud.

3.11 RECOVERY

Capita actively recover any Housing Benefit overpayments, Council Tax Support adjustments, discounts and exemption removals raised because of fraud activities. Fraudulent Housing Benefit overpayments attract a 40% subsidy, this means that any monies collected over 60% of the overpayment, is additional income for the Council. If 100% of the overpayment is recovered then the Council would retain 140% of the original overpaid. Fraudulent overpayments are not separately recorded from other recoverable overpayments such as council error. In 2020/21 £213,726 of recoverable overpayments were raised and £219,156 collected at a collection rate of 119.54%. Overpayment collection is reported quarterly as a key performance indicator.

3.12 OTHER LOCAL AUTHORITY FRAUD PREVENTION ACTIVITY

The Exchequer Team continue to verify any changes to bank details they receive before amending details on their system. They never use the contact details supplied on the change request notification to verify the change, but will check for another contact on the internet etc.

NAFN issued intelligence alerts relating to criminals targeting various areas of Local Authority business, such as payment of invoices and payroll, these were passed to the relevant teams to make them aware of impending threats.

3.13 COVID-19 ORGANISED CRIME

Organised criminals have targeted local authorities nationally, attempting to obtain business rate grants fraudulently.

Four organised crime attempts were identified in Rossendale last year, there was no financial loss to the Council.

Rossendale Council was targeted in two ways.

Firstly applications were received in the name of a genuine company held on Business Rate records, however the application contained forged company logo's on correspondence, email address domains were different from the genuine company etc. Criminals submitted two applications in the name of a famous bakery with two branches in Rossendale.

Secondly criminals attempted to register a business in a premise falsely and submit a grant application.

NATIS a branch of the police are investigating the organised criminals at a national level.

3.14 SOCIAL MEDIA & ROSSENDALE BC WEBSITE

The Council's Facebook page and website have been utilised positively to notify scams to Rossendale residents, this quickly alerts them to phishing attempts and scams currently circulating.

A resident used the Council's Facebook page to check whether an email they had received from Governments Digital Service Team about a Council Tax Reduction, was genuine or not. Upon checking the email it was apparent it was a scam. The Council's social media was used to alert our residents to it, including highlighting the contents of the email, warning them not to click on the fraudulent link it contained and advising the email was not from the government. The scam email was reported to Action Fraud.

4. RISK

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

In common with all other public bodies, Rossendale Borough Council is potentially vulnerable to fraud, either internally by its employees, or externally from members of the public. The Council has an on-going duty to protect public funds. This report, summarises the work of the Fraud and Compliance function and provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

5. FINANCE

5.1 The financial implications of failing to protect the Council are potentially substantial. The Council's strategy for tackling fraud provides an assurance that public funds are being

protected from abuse. Fraud leaves the Council with less to spend on services for residents and costs taxpayers' money.

6. LEGAL

6.1 The work outlined herein supports good governance and demonstrates effective financial stewardship and strong public financial management. It is supported through other policies and procedures to include the Council's Whistleblowing policy.

7. POLICY AND EQUALITIES IMPLICATIONS

7.1 There are no policy implications and no consultation required. All relevant policies continue to be promoted to all staff via online media such as the Intranet.

8. CONCLUSION

8.1 This report has been developed to provide performance information in relation to the activities undertaken by officers and to demonstrate the joint working with other agencies on either a mandatory or voluntary commitment basis.

This work has resulted in fraud being identified and repayments to the Council and partners being made.

An element of the work programme is determined by the number of fraud referrals received. There would normally be scope within the workload for other proactive exercises to be undertaken. However, due to the Covid-19 grant fraud, and the need to jointly work with DWP on criminal investigations, it is doubtful that any proactive exercises will be conducted during 2021/22.

To summarise, as a result of actions by the Council's Fraud and Compliance function during 2020/21 there have been £12,976.61 Housing Benefits overpayments raised, £7,592.94 Council Tax Support adjustments created, £3,213.65 Single Person Discounts were withdrawn and £6,948.05 Council Tax Exemptions were removed.

National Non Domestic Rates exemptions were removed to the value of £27,869.81. Rossendale BC, will receive a proportion of this.

No background papers