

| | | | |
|--|--|--|--|
| Subject: | Annual Fraud Report 21/22 | Status: | For Publication |
| Report to: | Audit & Accounts Committee | Date: | 27 th July 2022 |
| 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 | No |
| Biodiversity Impact Assessment: | Required: No | Attached: No | No |
| Contact Officer: | Carol Walker | Telephone: | 01706 252582 |
| Email: | carolwalker@rossendalebc.gov.uk | | |

1. RECOMMENDATION

This report provides an update to committee on the work of the fraud and compliance officer for 2021/2022.

2. EXECUTIVE SUMMARY

- This report updates the Committee on the work undertaken in the previous financial year in relation to fraud and compliance activities, including the success that has been achieved in identifying fraud.
- This work has resulted in a financial saving to the Council and partner organisations.
- The Fraud and Compliance function provides assurance that if major fraud is attempted, there are systems in place to identify and prevent it.

3. BACKGROUND

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.

4. DETAILS

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 periodically.
- Ensure that investigations comply with the appropriate regulations.
- Increase fraud awareness.

4.1. PARTNERSHIP WORKING

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

- The provision of 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.

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

4.1.3. 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.

4.1.4. 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.

4.2. COVID-19

4.2.1. During the last year the Fraud and Compliance function has continued to respond to Covid related fraud and attempts thereof.

4.2.2. During 2021/22, 32 Covid related business rate grant fraud referrals were received, (excluding cases matched by the National Fraud Initiative (NFI), see below). These referrals have reduced compared to 2020/21 and the reasons for this include the use of targeted prepayment checks and the better sharing of information to prevent organised fraud attempts.

4.2.3. Following investigation, the Fraud and Compliance Officer has made 34 recommendations for the withdrawal of covid grants. It is likely that work around recovery of grants and ongoing disputes will continue in the medium term.

4.2.4. During 2021/22, 22 Covid cases were closed. The table below shows the reasons why these were closed.

| Closure Reason | Number of Cases |
|--|-----------------|
| Recommendations Made/Attempted fraud (no financial loss) | 4 |
| Attempted Organised Fraud (no financial loss) | 11 |
| No Fraud Identified/No Further Action | 7 |

4.2.5. NAFN has continued to produce 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 in real time has prevented payment of grants to organised crime groups. NAFN have advised that Rossendale is one of very few authorities that have not paid applications submitted by organised criminals.

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

4.2.7. An Officer from Lancashire Police Constabulary is currently investigating one of the grant cases, following a fraud tip off to the police.

4.3. NATIONAL FRAUD INITIATIVE

4.3.1. 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.

4.3.2. In January 2021, the NFI released the first biannual set of data matches to all Councils for review and they will from time to time update these adding extra matches. This first release contained 155 matches. Following the first release, a further 110 matches were released, of these 46 matches related to National Non Domestic Rates (NNDR) and the Covid grants. This totals 265 matches.

4.3.3. Checks comparing the matches against Council records are undertaken. Any 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.

4.3.4. The Fraud and Compliance Officer has checked all the matches received. A total of 7 benefit claims were reassessed, resulting in £25,502.02 in overpayments/adjustments being raised. The Council is in the process of recovering this debt. Two NNDR cases have resulted in £815.35 of Small Business Rate Relief and one £10,000 Covid Grant being withdrawn. A further 7 NNDR cases are still under review.

4.3.5. NFI are due to release the set of biannual matches in January, 2023.

4.4. FRAUD AWARENESS TRAINING

4.4.1. A new mandatory fraud awareness e-learning training course has been released, all employees were asked to complete this. All new council employees and members have to complete the e-learning fraud awareness course, as part of their induction to the Council.

4.4.2. The Fraud and Compliance Officer devised a leaflet which is distributed to all new starters at induction, to make the new staff aware of fraud in the workplace and how to report any suspicion of fraud, bribery, corruption etc.

4.4.3. 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.

4.5. SURVEILLANCE

Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). During 2021/22 no cases were identified for surveillance.

4.6. SPECIAL EXERCISES

There were no special exercises during 2021/22 due to work focusing on fraud as a result of the Covid grants.

4.7. PERFORMANCE AND STATISTICS

4.7.1. During 2021/22 133 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 | 55 |
| Housing Benefit | 15 |
| Council Tax [single person discount/exemptions etc.] | 37 |
| Business Rates [grant fraud/small business rate relief fraud etc.] | 47 |

4.7.2. These referrals were received from

| Source | Number of Referrals |
|----------------------|---------------------|
| Anon Referral | 10 |
| Assessment Team | 2 |
| Council Tax Team | 3 |
| DWP LAIEF | 2 |
| Email | 1 |
| LA Staff [Internal] | 22 |
| NFI | 27 |
| NNDR Team | 14 |
| One Stop Shop | 1 |
| Online Referral Form | 41 |
| Other | 2 |
| Other LA Staff | 4 |
| SAT Team | 4 |

4.7.3. During the 2021/22 year 31 cases were referred to the DWP for their consideration.

4.7.4. The DWP's Criminal Investigation Team issued 10 requests for information in relation to their investigations linked to Housing Benefit fraud. There were 11 requests from the DWP's Compliance Team for further information in relation to their non-criminal investigations.

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

| Area | Value | Number of cases |
|--------------------------------|------------|-----------------|
| Council Tax Support adjustment | £27,786.07 | 15 |

| | | |
|-----------------------------------|-----------|---|
| Single Person Discounts withdrawn | £4,535.30 | 3 |
| Council Tax Exemptions withdrawn | £323.71 | 1 |
| Council Tax Liabilities raised | £8,074.36 | 2 |
| Housing Benefit overpayment | £2,126.06 | 2 |

- 4.7.6. One £70 Council Tax Support, two £70 Council Tax Single Person Discount penalties, one £50 Housing Benefit penalty were applied.
- 4.7.7. 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.
- 4.7.8. The weekly figure for the Council is £211.72, giving estimated “future” savings from 2021/22 activity of £11,009.44. 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.
- 4.7.9. Also £8657.28 of exemptions/relief were withdrawn following investigations into National Non Domestic Rated properties [Business Rates].
- 4.7.10. The “Analyse Local” System is used to identify properties that are missing from the rating list or are undervalued. Typically the cases identified through analyse local are those in remote locations, unreported alterations to existing sites and internal changes which have an effect on rental value. They tend to be scenarios which are not picked up through the general property inspection regime. During 21/22 the use of Analyse Local to assist in business rates forecasting generated a total additional rateable vale of £83,575. Including backdating, the estimated rate yield from these cases is £134,106.31
- 4.7.11. Of note, very few civil penalties were applied during 2021-22 for a number of reasons, such as Covid-19 and not being able to not interview many customers. The Fraud and Compliance function was also predominantly focusing on Business Rate Grant fraud.

4.8. RECOVERY

- 4.8.1. Capita actively recover any Housing Benefit overpayments, Council Tax Support adjustments, discounts and exemption removals raised because of fraud activities.
- 4.8.2. 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.
- 4.8.3. Fraudulent overpayments are not separately recorded from other recoverable overpayments such as council error. In 2021/22 £313,546 of recoverable overpayments were raised and £279,876 collected at a collection rate of 89.26%. Overpayment collection is reported quarterly as a key performance indicator.

4.8.4. Similarly, no separate recovery figure for council tax and NNDR adjustments is available. In year collection rates for all council tax was 95.6% in 2021/22 with 98.1% for NNDR.

4.9. OTHER LOCAL AUTHORITY FRAUD PREVENTION ACTIVITY

4.9.1. 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.

4.9.2. NAFN issued intelligence alerts relating to criminals targeting various areas of Local Authority business, such as procurement impersonation fraud, corporate impersonation fraud, bank mandate fraud and staff salary mandate fraud, these are passed to the relevant teams to make them aware of impending threats.

4.10. COVID-19 ORGANISED CRIME

4.10.1. Organised criminals have continued to target local authorities nationally, attempting to obtain business rate grants fraudulently.

4.10.2. Eleven organised crime attempts were made by criminals trying to claim a grant during 2021/22, there was no financial loss to the Council. Rossendale Council was targeted when applications were received in the name of a genuine company held on Business Rate records, however the application contained false information about the company such as incorrect contact telephone numbers, email addresses etc. Falsified bank statements were also included in the applications. All attempts were reported to NAFN and the details were released on a national alert, to make other LA's aware of the false information and bank account details being used by the criminals.

4.11 SOCIAL MEDIA & ROSSENDALE BC WEBSITE

The Council's Facebook page and website have been used to highlight scams to our residents. This year Covid Pass fraud and PCR testing fraud were publicised.

4.12. CONCLUSION

4.12.1. 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.

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

4.12.3. 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, but due to the pandemic this did not happen this year. It is anticipated that some proactive exercises will be conducted during 2022/23 now that we are returning to normality. It is also hoped that joint working investigations with officers from the Department for Work and Pensions will resume in 2022/23.

4.12.4. To summarise, as a result of actions by the Council's Fraud and Compliance function during 2021/22 there have been -

- £27,786.07 Council Tax Support adjustments created.
- £2,126.06 Housing Benefits overpayments raised.
- £4,535.30 Single Person Discounts were withdrawn.

- £8,074.36 Council Tax liabilities were raised.
- £323.71 Council Tax Exemptions were removed.
- National Non Domestic Rates exemptions were removed to the value of £8657.28 Rossendale BC, will receive a proportion of this.

5. RISK

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.

6. FINANCE

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.

7. LEGAL

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.

8. POLICY AND EQUALITIES IMPLICATIONS

There are no policy or equalities implications.

9. REASON FOR DECISION

That the Audit and Accounts Committee noted the content of the report.

No background papers