

Audit Committee

28 November 2019

Protecting the Public Purse – Update Activity Report as at 30 September 2019



Report of Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager

Electoral division(s) affected:

Countywide.

Purpose of the Report

- 1 This report presents the update activity Protecting the Public Purse Report, to inform Members of the work that has been carried out as at 30 September 2019.

Executive Summary

- 2 The report provides Members with the progress that has been made by the Corporate Fraud Team as at 30 September 2019. The report provides an update on:
 - (a) The work of the Corporate Fraud Team;
 - (b) Action taken to raise awareness of the risk of fraud and corruption to assist in embedding a strong counter fraud culture throughout the organisation;
 - (c) Reported cases of potential fraud reported during April to September 2019;
 - (d) Proactive Counter Fraud work;
 - (e) Progress on the Council's participation in the National Fraud Initiative (NFI);
 - (f) Fraud Reporting;
 - (g) Fraud Training.

- 3 The appendices attached to this report are summarised below. Appendix 3 marked with an asterisk is not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).
- (a) Appendix 2 – Case load and values of fraud identified between April and September 2019;
 - (b) Appendix 3* – Cases of potential internal corporate fraud reported and ongoing investigations;

Recommendations

- 4 Members are asked to note the contents of the update activity Protecting the Public Purse Report including:
- (a) The work carried out by the Corporate Fraud Team;
 - (b) The actions taken to improve awareness and the arrangements in place for managing the risk of fraud and corruption;
 - (c) Corporate Fraud Team numbers and values of fraud identified for 2019/2020 as at 30 September 2019 (Appendix 2).

Background

- 5 The risk of fraud and corruption is recognised as a strategic risk within the Council's Corporate Strategic Risk Register.
- 6 The latest Counter Fraud and Corruption Strategy was agreed by CMT and then Audit Committee in June 2018.
- 7 The Corporate Fraud Team is responsible for:
 - Developing, implementing and promoting the Council's Counter Fraud and Corruption Strategy, raising awareness of the risk of fraud and corruption and advising on controls that will effectively manage the risk;
 - Investigating cases of suspected fraud and overseeing that any investigations are completed in accordance with the Council's Fraud Response Plan and other Counter Fraud Policies;
 - Supporting management pro-actively in the prevention and identification of potential fraud and irregularity through membership of the National Anti-Fraud Network (NAFN), the North East Fraud Forum (NEFF), CIPFA's Counter Fraud Centre and directly through the Cabinet Office's National Fraud Initiative (NFI).
- 8 The Audit Committee is responsible for monitoring the arrangements the Council has put in place to mitigate the risk of fraud and corruption by seeking assurance on their effectiveness.

Corporate Fraud Team

- 9 The Corporate Fraud Team has continued to develop over 2019/20. The team has investigated both internal and external frauds, as well as assisting with the counter fraud activity.
- 10 The work of the Corporate Fraud Team includes:-
 - Investigating potential council tax reduction fraud;
 - Investigating potential single person discount fraud and other council tax frauds;
 - Investigating potential business rates fraud;
 - Investigating potential employee corporate fraud;
 - Investigating potential fraud in schools;

- Investigating potential abuse of blue badges, working with colleagues from Regeneration and Local Services;
- Investigating potential direct payments fraud, working with colleagues from Adult Health Services;
- Investigating potential insurance fraud, working with colleagues from Highways, Legal and our external insurers;
- Investigating serious data breach cases where the Information Commissioners Office will be notified;
- Coordinating and investigating reports from the National Fraud Initiative (NFI);
- Creating stronger partnership working and a multi-agency approach to tackle organised crime and fraud and corruption by having a member of the Corporate Fraud Team working alongside Durham Constabulary at Police Headquarters;
- Working with Believe Housing Group and Livin Housing Association to investigate potential tenancy fraud;
- Working with Karbon Homes to investigate potential right to buy and right to acquire fraud and verification checks;
- Membership of the CIPFA Counter Fraud Centre, attending round table events and forums to gain best practice;
- Working with colleagues in People and Talent Management to review and support disciplinary investigations;
- Working with colleagues in People and Talent Management and Corporate Complaints Unit to review employee complaints;
- Single point of contact (SPOC) for housing benefit fraud for information sharing with the Department for Works and Pensions.

Counter Fraud Awareness

11 A summary of the counter fraud awareness initiatives progressed during April to September 2019 are as follows:

- A continued review of the Corporate Strategic Risk into Fraud & Corruption has been completed, with an action to develop a Fraud Risk Register embedded within each Service grouping;
- Attendance at Durham Constabulary's quarterly Serious and Organised Crime Disruption Panel;

- Attendance at Durham Constabulary's Gold Command Group;
- Fraud awareness training has been delivered to high risk areas, with over 58 attendees during April to September 2019, with more planned during the rest of 2019/20. Fraud Awareness is an ongoing action included within the Fraud Operational Plan to be delivered on an annual basis;
- Fraud awareness is incorporated into the induction process for new employees. Employees are directed to Counter Fraud pages and Policies on the intranet;
- As part of the annual review of the Recruitment and Selection Policy, a fraud declaration is included to act as a deterrent and employee data will be reviewed to match against Durham Constabulary's Organised Crime Group (OCG) data;
- Several warnings have been received from the National Anti-Fraud Network (NAFN) regarding a range of frauds and scams against Councils and schools. All warnings are communicated to the relevant service areas and publicity to warn our customers. To help reduce the potential risk to schools within the County, details of the common frauds and scams, and how to avoid them, have also been made available on the school extranet and in school newsletters;
- The Corporate Fraud System records all NAFN scams and alerts, so intelligence searches can be made at any time;
- DCC is a member of the CIPFA Counter Fraud Centre and the North East Fraud Forum (NEFF), receiving warnings of scams and alerts and good practice. Again, all warnings are communicated to the relevant service areas and publicity to warn our customers;
- The last review of the Confidential Reporting Code (Whistleblowing) was concluded by People and Talent Management and Corporate Fraud in August 2018, with a further review to be completed during 2019/20. The Code is also available on the DCC website for contractors, suppliers and former employees, as well as publicity being included on the intranet;
- The Corporate Fraud Sanction Policy is publicised on the DCC website acting both as a deterrent and allowing us to pursue fraudsters. This policy sets out what actions will be taken with fraud and the sanctions available to dispose of offenders;

- A review of Durham County Council's website relating to fraud and the reporting methods has continued, with further changes to the landing page: www.durham.gov.uk/fraud;
 - The Counter Fraud and Corruption Strategy, the Fraud Response Plan, the Confidential Reporting Code and the Anti Money Laundering Policy have all been reviewed with no changes required for 2019/20. The plan is for the Counter Fraud and Corruption Strategy to be revised in line with the proposed changes to the national Fighting Fraud & Corruption Strategy that is expected in 2020. All documents are currently available on the DCC website and intranet, under the 'Counter Fraud Awareness' section;
 - Training, which includes counter fraud guidance, is included in the Governor Training Booklet. We provide one course every school term, therefore three are provided annually;
 - The Corporate Fraud System is maintained for all external and internal reported cases of fraud, which are then reported to Service areas and Audit Committee;
 - The CRM corporate fraud reporting form has continued to be the most popular reporting method from the public, for the third consecutive year. As at 30 September 2019, 133 referrals have been made using this access channel;
 - The Fraud Communications Strategy and delivery programme has continued throughout April to September, with various forms of publicity and communications. Further details of this is included below;
 - A review of the Employee Code of Conduct (CCE) declarations is ongoing, which is considering a new electronic process. CRM is being considered to capture the information.
- 12 The Counter Fraud Operational Plan 2019/20 is monitored every month, so that progress can be effectively managed. This operational plan was agreed by Audit Committee in June 2019.
- 13 A programme for managers is included within the Corporate Training Programme and includes Fraud Awareness. Regular sessions are held which includes as many managers as possible to alert them to the risk of fraud in their respective service areas.

- 14 Durham County Council signed up to a joint counter fraud initiative with the Department of Works and Pensions (DWP) local fraud investigators in May 2019. The joint counter fraud initiative involves DWP local fraud teams, working together with council fraud teams, carrying out joint criminal fraud investigations of Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud.
- 15 Since May 2019 we have investigated four joint cases, two of which are still ongoing. The initiative is still in its infancy but to date the expected increase both with the number of investigations and the value of savings to the authority and the number of prosecutions and sanctions will not be as high as originally forecast. Progress of this initiative will continue to be reported to the Committee within the annual report.
- 16 The fraud campaign has progressed during 2019/20, with the continued key messages to 'fight fraud together' and 'stamp out fraud' asking residents, stakeholders, Members and employees to 'help stop fraud and report it'.
- 17 Awareness of the campaign has been delivered via press releases, on social media, internal and external communications, the DCC website and at our Customer Access Points. We have designed promotional materials to advertise around the county at DCC venues and attended as an exhibitor at the Social Worker Day event.
- 18 Recent awareness has involved publicising on the park & ride buses and at bus stations, to being on Local Government TV promoting the work of the Corporate Fraud Team. A fraud awareness video is currently being finalised, with some publicity planned in conjunction with International Fraud Awareness week in November 2019.
- 19 The Fraud Communication Strategy is a live document, with further internal and external communications being developed and will be rolled out later this year, with the plan to keep our awareness refreshed and ongoing, especially as 'fraud doesn't stop'.

Reported Cases of Potential Fraud and Irregularity

- 20 The Fraud Response Plan, which underpins the Counter Fraud and Corruption Strategy, requires that cases of attempted, suspected or proven corporate fraud or irregularity reported to service managers must be reported to the Chief Internal Auditor and Corporate Fraud Manager when they are identified or raised.

- 21 A register is maintained by the Chief Internal Auditor and Corporate Fraud Manager of all suspected cases of fraud reported, whether the matter is investigated by Internal Audit or Corporate Fraud or service management. The register is maintained on the Council's Corporate Fraud System and identifies all different types of fraud, both internal and external.
- 22 The maintenance of these records is essential to monitor the impact of fraud on, and within, the Council, as a measure of the effectiveness of the Counter Fraud and Corruption Strategy.
- 23 Cases are also monitored to identify any potential trends and/or potential weaknesses in the control environment that may require further action or attention.
- 24 A summary of the potential cases of internal corporate fraud reported each of the last five years is as follows: -

Financial Year	Number of Cases
2015/16	33
2016/17	58
2017/18	40
2018/19	30
2019/20 (April – Sept)	11

- 25 Referrals as at 30 September 2019 have continued to decrease in comparison to previous years. It is hoped that the awareness of the Corporate Fraud Team acts as a suitable deterrent and our zero-tolerance approach is being embedded within the organisation. With further fraud awareness planned during 2019/20, including the continuation of publicising the Confidential Reporting Code, this will continue to encourage cases to be reported.
- 26 A summary of ongoing cases from previous years, and cases reported between 01 April 2019 and 30 September 2019, together with the outcomes from any subsequent investigation, are shown as Appendix 3.
- 27 As with all fraud investigations carried out, where weaknesses in control are identified, recommendations are made to minimise the risk of repeat cases. Where applicable, and where patterns emerge, this helps inform the Internal Audit Plan and potential proactive fraud work in the future.

28 A summary of the potential cases of external corporate fraud reported and investigated since 2015/16 is as follows: -

Financial Year	Number of Referrals	Number of Cases Investigated	Fraud Outcome Values
2015/16	804	744	£1,726,802
2016/17	803	364	£793,331
2017/18	1,041	659	£796,691
2018/19	978	481	£1,344,290
2019/20 (April – Sept)	561	322	£1,303,363

29 During April to September 2019 both referrals and the number of cases investigated are on the increase compared to previous years. The fraud campaign and continued awareness of the corporate fraud team and an increase with our partnership working, are believed to be the main contributory factors.

30 The value of the fraud outcomes for April to September 2019 has also continued to rise. Again, this is due to the increase with our partnership work with Believe Housing, Gentoo Homes, Karbon Homes and Livin Housing, especially the right to buy verification/money laundering checks and the savings involved.

31 As previously reported, from April 2019 an estimated value was introduced within the team's performance indicators to measure the preventative amount saved when a fraud had been found. These values are calculated separately to show the preventative amount, that a fraud investigation has saved, that would have continued to be paid. The methodology and calculations that are used are from a national report by the Cabinet Office.

32 A summary of the Corporate Fraud Team case load and values of fraud cases identified during April to September 2019, are shown as Appendix 2.

Proactive Counter Fraud Work

33 Across the year, a number of proactive counter fraud initiatives have been completed, including:

- The continuation of the North East Tenancy Fraud Forum (NETFF), with the Fraud Manager as joint chair;

- The continuation of the North East Regional Investigation Officers Group (NERIOG), with the Fraud Manager as the chair. The objectives and functions of the group are to review good practice information and guidance, promote awareness and understand fraud risks across the region, to develop joint working and data sharing to tackle these fraud risks, to coordinate regional projects, to review training requirements as a group and to develop a network of key contacts;
- Further development of the Corporate Fraud System data warehousing software, which allows localised data matching and intelligence led investigations. New data sets have been included during 2019/20;
- The partnership work with Durham Constabulary allows for data matching to be done against specific council datasets against police OCG data. The partnership has also allowed for direct access to Police intelligence systems to assist with the Corporate Fraud investigations;
- The achievements with countering insurance fraud have continued to be recognised, working closely with Zurich and internal services to embed our fraud strategy. Our best practice arrangements have continued to be acknowledged by neighbouring authorities and our partners;
- The continuation of the Blue Badge Enforcement Group (BBEG), with the Corporate Fraud Team as chair. This group is attended by parking Services, Adult Health Services and the Corporate Fraud Team. The terms of reference of the group is to develop joint working and data sharing, promote awareness, share best practice and knowledge, and tackle fraud and misuse as a joined-up authority;
- The joined-up approach involves specific targeted days for enforcement, which has resulted in finding blue badge fraud and misuse, with 3 formal cautions administered during April to September, with further cases listed for criminal proceedings during 2019/20;
- A proactive approach into Data Protection requests for information continued during April to September, with the Corporate Fraud Team checking in total 128 requests, including assisting with any potential school admission and school transport fraudulent applications, Consumer Protection investigations and Durham Constabulary with their investigations;

- The Corporate Fraud Sanction Policy has allowed us to dispose of five sanctions and one prosecution during April to September 2019;
- Progress has continued to develop the North East Regional fraud data hub, with Durham being the lead authority. The SLAs and Data Sharing Agreements are nearly finalised, which will assist with cross boundary intelligence and data matching, allowing us to tackle fraud on a regional level with Gateshead Council and Newcastle City Council;
- A three-year Strategic Partnership is continuing with both Believe Housing Group and Livin Housing, for the Corporate Fraud Team to deliver Tenancy Fraud work for both organisations;
- A Strategic Partnership is continuing with Karbon Homes, for the Corporate Fraud Team to deliver right to buy and right to acquire verification checks and any potential money laundering fraud;
- A Strategic Partnership with Bernicia Homes has recently been entered for the Corporate Fraud Team to deliver right to buy and right to acquire verification checks and any potential money laundering fraud;
- The Corporate Fraud Team has delivered right to buy and right to acquire verification checks to prevent fraud for Gentoo Homes. Initially it was agreed to sample thirty cases, which was then extended to a further three-month period. It is hoped the work carried out by the Corporate Fraud Team will have demonstrated value for money and that Gentoo will enter into a Strategic Partnership.

National Fraud Initiative (2018 / 2019)

- 34 The National Fraud Initiative (NFI) is the Cabinet Office's data matching exercise that runs every two years. Data from various Council systems was submitted in October 2018 and was matched across systems and against data submitted by other organisations to identify potential fraud and / or error.
- 35 The main results of the NFI 2018-2019 exercise were released between January and March 2019, with subsequent reports released between April and September and produced a total of 114 separate reports, containing 35,370 individual data matches for review by the Council. This does not include the recheck reports that are separate for Single Person Discount.

- 36 It has been acknowledged by the Cabinet Office that, due to the quality of the data in the host systems, the resulting data matches will be of differing quality. In addition, due to the number of matches identified, it may not be possible to investigate all the matches produced. Consequently, organisations are expected to review their data matches to determine priorities for investigation.
- 37 As at 30 September 2019, 11,715 matches have been closed. There are reports that have been investigated and closed in bulk, but these don't show as individual matches closed and are not included within the 11,715. The savings recorded are £65,046.
- 38 In line with NFI requirements, Council Tax and Electoral Roll data is also submitted annually to help identify potential Single Person Discount (SPD) fraud or error. Council Tax data is also matched to all other NFI data sets to identify further potential SPD fraud or error. For the last three exercises these matches have not been reviewed, due to Revenues & Benefits conducting their own SPD review.
- 39 The National Fraud Initiative is also carried out by DCC on behalf of Durham Constabulary and Durham & Darlington Fire & Rescue.

Fraud Reporting

- 40 Fraud data has continued to be provided in respect of surveys for the CIPFA Counter Fraud Centre.
- 41 The last specific CIPFA Counter Fraud and Corruption Tracker report for DCC was published in February 2018 and was reported to Audit Committee in June 2018. The report compared DCC data with other similar types and tiers. To date, no further report has been published.
- 42 As part of NERIOG, an annual benchmarking document is completed for each member authority, which then shows a regional position. This benchmarking has allowed Durham to benchmark against neighbouring authorities in the region and shows Durham leading the fight against fraud in the North East Region.
- 43 Fraud transparency data has continued to be reported on the website as part of the Local Government Transparency Code 2015.
- 44 DCC is continuing to support the new Fighting Fraud and Corruption Locally Board, to assist with the development of a revised report that is due for publication during 2020.
- 45 The Corporate Fraud Team has continued to benchmark with its Local Performance Indicators as part of the Performance Management Framework of the Service.

- 46 A further review of the Corporate Fraud Team values and our fraud measurement has commenced during April to September 2019, with the plan for this to be concluded by April 2020. It is expected that the revised values will report the breakdown of the actual fraud overpayments, the notional values and preventative savings that the team are achieving. The income of the team will also be reported. These will be calculated showing both what is DCC values and the values for our partnerships. The fraud measurement exercise should give an estimate of the potential fraud within DCC, specific to our fraud risks.

Fraud Training

- 47 A programme for managers is included within the Corporate Training Programme and includes Fraud Awareness. Regular sessions are held to include as many managers as possible to alert them to the risk of fraud in their respective service areas.
- 48 It has been agreed that all members of the Corporate Fraud Team will complete the new Accredited Counter Fraud Specialist qualification, showing the continued commitment within DCC to protect the public purse. Two members of the team are already qualified, with one member of the team finalising their qualification. Five members of the team are already Professional in Security accredited counter fraud specialists.
- 49 DCC is continuing to be involved in the Local Authority Government Counter Fraud Profession Membership Working Group, which is reviewing and developing Local Authority fraud standards and a professional qualification. The plan will be for DCC to be a corporate member and promote individual memberships.
- 50 The Fraud Manager is the regional champion for the 'Fighting Fraud and Corruption Locally' board, helping design the new strategy that will be rolled out next March 2020. DCC will provide best practice and case studies to be included within the strategy, to promote the work of the Corporate Fraud Team within the national picture.
- 51 The Fraud Manager has attended numerous conferences and seminars to assist with the team's continuing professional development.
- 52 Two Corporate Fraud Investigator apprentices started employment in September 2018, one within the Corporate Fraud Team and the other within Internal Audit. Both apprentices are progressing well and have been a success and are assisting with the service delivery.

- 53 The Corporate Fraud Team partnership with ITS Training (UK) Limited, a specialist fraud training provider is continuing. The Corporate Fraud Team has benefitted by receiving free places on training courses and saving costs not having to travel to other venues outside Durham.

Background papers

- None.

Other useful documents

- None.

Contact:	Paul Bradley	Tel: 03000 269645
	Steven Graham	Tel: 03000 260776

Appendix 1: Implications

Legal Implications

Governance procedures in place, (particularly the Counter Fraud & Corruption Strategy, Contract Procedure Rules, Financial Procedure Rules, Codes of Conduct and the Confidential Reporting Code), supported by a robust audit programme of counter fraud awareness measures and assurance reviews will assist the Council in complying with anti-corruption law, in particular the Bribery Act, and also serves to reduce the risk of reputation damage and financial loss by litigation.

Finance

Loss to the Council arising from fraudulent actions. The cost of the Corporate Fraud Team is £163,840 and in 2018/19 has recovered or intercepted £1,344,290 of potential fraud. Since the set-up of the Team in June 2015 the team have recovered or intercepted over £5,300,000. Some of the work of the team is also not measured and therefore does not have a value that can be calculated.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

There are no direct implications on climate change as a result of this report, however the Internal Audit Service ensures that it considers climate change and sustainability in the recommendations that are made.

Human Rights

None.

Crime and Disorder

Fraud is a criminal offence.

Staffing

Disciplinary action to be taken against known employees where fraud has been proven.

Accommodation

None.

Risk

The risk of fraud and corruption is recognised as a corporate strategic risk. An effective counter fraud strategy is a key control in helping to mitigate the risk.

Procurement

None.

**Corporate Fraud Team Results
April – September 2019**

Appendix 2

Fraud Type	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	OUTCOMES			Value (£)
					Frauds No.	Prosecutions No.	Sanctions No.	
Blue Badge	24	20	4	8	2		3	6,670.00
Council Tax	24	2	22	9	3			2,284.67
CTRS	76	53	23	82	30	1	2	26,815.44
Data Breach	3	2	1	2	1			N/A
Direct Payments	5	4	1	3	1			6,689.85
Employee	11	11	0	6	1			28,000.00
Funding/Grant	2	2	0	0	0			0
Housing Benefit	1	1	0	0	0			84,594.18
Insurance	12	10	2	8	3			103,324.00
Irregularity	3	0	3	1	0			0
NNDR	19	2	17	1	0			0
Procurement	1	1	0	1	0			0
Right to Buy	147	145	2	85	36			887,170.00
Schools	1	1	0	0	0			0
SPD	77	61	16	68	23			29,906.98
Tenancy	45	40	5	48	12			127,908.00
External	110	0	110	N/A	N/A			N/A
Totals	561	355	206	322	112	1	5	1,303,363.12

Notes:

Employee/Irregularity cases don't always have values – we are only recording financial monetary values at present i.e. theft.

Employee/Irregularity cases also includes non-Corporate Fraud Team cases.

External referrals are cases that are not for the Corporate Fraud Team and referred onto the Police, DWP, HMRC etc.

Value includes a new estimated measure for the preventative amount saved.

Housing Benefit values are calculated separate but are included as part of CTRS fraud investigation numbers.