

## **Audit Committee**

**26 November 2020**

### **Protecting the Public Purse – Update Activity Report as at 30 September 2020**



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## **Report of Stephen Carter, Interim 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 2020.

### **Executive Summary**

- 2 The report provides Members with the progress that has been made by the Corporate Fraud Team as at 30 September 2020. 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 2020;
  - (d) Proactive Counter Fraud work;
  - (e) Progress on the Council's participation in the National Fraud Initiative (NFI);
  - (f) Fraud Reporting;
  - (g) Fraud Training;
  - (h) Covid-19 Frauds.

- 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 Appendix 3 marked with an asterisk is not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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 2020;
  - (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 2020/2021 as at 30 September 2020 (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. It was reviewed during 2019/20 but did not require any changes. The Strategy will be reviewed and updated during 2020/21 in line with the new Fighting Fraud & Corruption Locally a Strategy for the 2020's which was presented to the committee in June 2020.
- 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 2020/21. 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 fraud;
- Investigating potential fraud in schools;
- Investigating potential fraud and abuse of blue badges;
- 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 grant fraud;
- Investigating procurement fraud;
- 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;
- Working with Believe Housing Group and Livin Housing to investigate potential tenancy fraud;
- Working with Karbon Homes, Livin Housing, Bernicia Homes and Gentoo 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 2020 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 has commenced;
- Virtual attendance at Durham Constabulary's quarterly Serious and Organised Crime Disruption Panel;
- Virtual attendance at Durham Constabulary's Gold Command Group;
- Fraud awareness with emerging Covid-19 fraud risks has been communicated to high risk areas during April to September 2020. Further awareness is planned during the rest of 2020/21, with the ongoing pandemic changing the fraud landscape. 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;
- Durham County Council (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 Corporate Fraud Team has signed up to receive Credit Industry Fraud Avoidance System (CIFAS) weekly alerts, with these alerts also communicated to the relevant service areas and publicity to warn our customers;

- The Corporate Fraud System records all scams and alerts, so intelligence searches can be made at any time;
- A review of how scams and alerts are communicated should be completed during 2020/21 as part of the fraud campaign, with consideration to an alerts page on the intranet;
- The Confidential Reporting Code (Whistleblowing) is available on the DCC website for contractors, suppliers and former employees, as well as publicity for current employees being included on the intranet. There have been no reports between April to September 2020. Further awareness of the code is being reviewed, especially with the heightened threat of insider fraud due to Covid-19;
- 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. Since the creation of the Corporate Fraud Team, we have had 33 prosecutions and sanctioned 44 cases;
- A review of Durham County Council's website and intranet relating to fraud and the reporting methods has continued, with further changes to the landing page: [www.durham.gov.uk/fraud](http://www.durham.gov.uk/fraud). This is part of the Fraud Campaign and Fraud Communications Strategy;
- The Counter Fraud and Corruption Strategy, the Fraud Response Plan, the Confidential Reporting Code and the Anti Money Laundering Policy will be reviewed later this year. They were all last reviewed during 2019/20, with no changes required. The intention is for the Counter Fraud and Corruption Strategy to be revised in line with the new national Fighting Fraud & Corruption Locally Strategy that was published in March 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. This is currently on hold;
- 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 corporate fraud reporting channels have continued to be used during 2020/21. As at 30 September 2020, 180 referrals have been made using either the fraud hotline, fraud CRM reporting, fraud email addresses, fraud website, letter to the fraud team or fraud text service;
  - A review of the Employee Code of Conduct (CCE) declarations is still ongoing, which is considering a new electronic process. CRM is being considered to capture the information.
- 12 The Counter Fraud Operational Plan 2020/21 is monitored every month, so that progress can be effectively managed. This operational plan was agreed by Audit Committee in June 2020.
  - 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 as an organisation and 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 there have been a total of six cases jointly investigated, all of which have been closed as no fraud identified. A review of the joint working initiative with DWP Management is pending, to determine if it is worthwhile continuing. However due to the pandemic, DWP fraud teams have been seconded to other workloads and therefore this initiative and conversations have been put on hold. Progress of this initiative will continue to be reported to the Committee within the annual report.
  - 16 The fraud campaign has been put on hold during the first half of 2020/21, instead Covid-19 fraud awareness and publicity has taken priority. The Corporate Fraud Team has worked in partnership with Trading Standards and Communications and Marketing to make sure both employees and the public are informed about the Covid-19 fraud risks and scams.
  - 17 The fraud campaign will continue again with International Fraud Awareness Week in November and will continue with the key messages to 'fight fraud together' and 'stamp out fraud' asking residents, stakeholders, Members and employees to 'help stop fraud and report it'.
  - 18 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’.

- 19 DCC has agreed to pilot an Email Fraud Protection (EFP) product in partnership with CSIS and Lloyds Bank. The product will detect fake invoices even from compromised email accounts, rate every invoice for authenticity or indicators of compromise, monitor compromised emails from vendors, suppliers and internal accounts and scan emails continuously including archived content and attachments.
- 20 EFP will assist with vendor/supplier fraud, CEO fraud, from email spoofing and account take overs. Progress of this pilot will be reported to the Committee within the annual report.

### **Reported Cases of Potential Fraud and Irregularity**

- 21 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.
- 22 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 Corporate Fraud, Internal Audit 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.
- 23 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.
- 24 Cases are also monitored to identify any potential trends and/or potential weaknesses in the control environment that may require further action or attention.
- 25 A summary of the potential cases of internal corporate fraud reported each of the last five years is as follows:

<b>Financial Year</b>	<b>Number of Cases</b>
2016/17	58
2017/18	40
2018/19	30
2019/20	37
2020/21 (April – Sept)	04

- 26 Referrals as at 30 September 2020 have significantly decreased in comparison to previous years. This may be due to the pandemic and people working at home and transferred to do other duties. Disciplinary action was also put on hold for a period. It is hoped that the awareness of the Corporate Fraud Team also acts as a suitable deterrent and our zero-tolerance approach is being embedded within the organisation. With further fraud awareness planned in November 2020, including the continuation of publicising the Confidential Reporting Code, this will continue to encourage cases to be reported.
- 27 Working from home has changed the landscape and potential for internal fraud. Our internal fraud risks and the Council's internal control measures will be reviewed further during 2020/21 to ensure that they remain fit for purpose and take account of the increase in home working.
- 28 A summary of ongoing cases from previous years, and cases reported between 01 April 2020 and 30 September 2020, together with the outcomes from any subsequent investigation, are shown as Appendix 3.
- 29 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.
- 30 A summary of the potential cases of external corporate fraud reported and investigated since 2015/16 when the Corporate Fraud Team was established is as follows:

<b>Financial Year</b>	<b>Number of Referrals</b>	<b>Number of Cases Investigated</b>	<b>Actual Outcome Values</b>	<b>Notional Outcome Values</b>
2015/16	804	744	£1,726,802	Not Recorded
2016/17	803	364	£793,331	Not Recorded
2017/18	1,041	659	£796,691	Not Recorded
2018/19	978	481	£1,344,290	Not Recorded
2019/20	1,156	721	£3,569,089	£64,888
2020/21 (April – Sept)	597	297	£1,269,168	£31,687
<b>Totals</b>	<b>5,379</b>	<b>3,265</b>	<b>£9,499,371</b>	<b>£96,575</b>

- 31 During April to September 2020 referrals have continued to be steady compared to previous years, with a change in Covid-19 fraud risks being reported. The number of cases investigated, and the actual outcome values has decreased compared to 2019/20, which has been largely due to the pandemic, with the Corporate Fraud Team being

unable to conduct interviews and visits. These are still higher however than previous years.

- 32 The totals show our zero tolerance of over 3,200 investigations and over £9.5million worth of fraud uncovered or intercepted. The continual development and journey of the Corporate Fraud Team, with the fraud campaign and strong partnership working have contributed.
- 33 These partnerships have also allowed the team to commercialise and bring in an income. During 2019/20 the team income was circa £100,000. Between April to September 2020 the team income was circa £49,000. It is expected due to the pandemic, that this income could reduce and a review of all the existing partnerships and any potential new ones is currently underway.
- 34 During 2019/20 a notional value was measured and introduced within the team's performance indicators. These values calculate 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 both a national report by the Cabinet Office and using our own methodology with costs for DCC.
- 35 A summary of the Corporate Fraud Team case load and values of fraud cases identified during April to September 2020, are shown as Appendix 2.

### **Proactive Counter Fraud Work**

- 36 Across the year, several proactive counter fraud initiatives have been completed, mostly virtual, 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 progressed during 2020/21. Data analytics and proactive

investigations are areas that the Corporate Fraud Team are keen to develop further;

- 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;
- This partnership has grown from strength to strength and other Local Authorities and Police forces have contacted us as best practice wanting to implement our partnership. The FFCL has included our partnership within the new Strategy as best practice;
- 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 Corporate Fraud Sanction Policy has allowed us to dispose of 4 sanctions and 3 prosecutions during April to September 2020;
- Progress has continued to develop the North East Regional fraud data hub, with Durham being the lead authority. This 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;
- The Regional Hub is being developed under the Digital Economy Act and will be one the first fraud pilots for local authorities once this goes live. Due to Covid-19 we have been unable to finalise the project as planned. It is hoped to get ministerial approval in January 2021;
- A new three-year Strategic Partnership has been agreed with both Believe Housing Group and Livin Housing, for the Corporate Fraud Team to deliver Tenancy Fraud work for both organisations;
- A Strategic Partnership with both Karbon Homes and Bernicia Homes is continuing for the Corporate Fraud Team to deliver right to buy and right to acquire verification checks and any potential money laundering fraud;

- Two pilots with Gentoo Homes and Livin Housing have continued for the Corporate Fraud Team to deliver right to buy and right to acquire verification checks and any potential money laundering fraud;
- In December 2019 the Corporate Fraud Team seconded a Financial Investigator on an initial fifteen-month period. This role has continued during 2020/21 and has been invaluable assisting with criminal investigations, as well as the recovery of monies and assets for DCC;
- This role has given the Corporate Fraud Team other lines of enquiry and powers that previously was not available and has demonstrated the need of a Financial Investigator within the fraud team on a permanent basis. It is hoped that this role can be structured into the team in the future.

### **National Fraud Initiative (2020 / 2021)**

- 37 The National Fraud Initiative (NFI) is the Cabinet Office's data matching exercise that runs every two years. Data from various Council systems will be submitted in October 2020 and matched across systems and against data submitted by other organisations to identify potential fraud and / or error.
- 38 The main results of the NFI 2020-2021 exercise will be released between January and March 2021, with subsequent reports released between April and September. The Corporate Fraud Team is the key contact and coordinator for this exercise with an action plan to make sure DCC reviews and investigates the results to identify fraud and error and recover any overpaid monies. Progress of this initiative will continue to be reported to the Committee within the annual report.
- 39 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. This exercise will be submitted in December 2020.
- 40 The National Fraud Initiative is also carried out by DCC on behalf of Durham Constabulary, County Durham & Darlington Fire & Rescue Authority and for the first time the North East Combined Authority (NECA).

### **Fraud Reporting**

- 41 Fraud data has continued to be provided in respect of surveys for the CIPFA Counter Fraud Centre.

- 42 A specific CIPFA Counter Fraud and Corruption Tracker report for DCC was published in December 2019 and was reported to the committee in June 2020. The report compares DCC data with other similar types and tiers.
- 43 As part of NERIOG, a benchmarking document has been agreed that will be used to show a regional position, allowing Durham to benchmark against neighbouring authorities in the region. The most recent document shows Durham leading the fight against fraud in the North East Region.
- 44 Fraud transparency data has continued to be reported on the website as part of the Local Government Transparency Code 2015.
- 45 DCC is continuing to support the Fighting Fraud and Corruption Locally (FFCL) Board and assisted with the development of the new national FFCL Strategy and supporting documents. DCC was mentioned in the Strategy for the 2020's as a best practice fraud team and were thanked for our input.
- 46 The Corporate Fraud Team has continued to benchmark with its Local Performance Indicators as part of the Performance Management Framework of the Service.

## **Fraud Training**

- 47 A Durham Managers programme 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 for both our organisation and 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 this year. Five members of the team are already Professional in Security accredited counter fraud specialists.
- 49 DCC was involved in the Local Authority Government Counter Fraud Profession Working Group, which reviewed and developed Local Authority fraud standards and a professional qualification. DCC is currently reviewing membership options.
- 50 The Fraud Manager is the North East Regional Representative for the 'Fighting Fraud and Corruption Locally' board and a member of the National Operational Group. This demonstrates Durham again leading

the fight against fraud in the region and are also being recognised nationally.

- 51 The Fraud Manager has attended virtual 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 have successfully completed their Association of Accounting Technician (AAT) level 3 qualification and will now start a new apprenticeship in more focussed areas of work within fraud and audit.
- 53 DCC has progressed a cohort and will be championing the new Counter Fraud Investigator apprenticeship. This will be one of the first of these apprenticeships nationally, again showing Durham leading the way. Three members of the Corporate Fraud Team will be starting this during 2020/21.
- 54 The Fraud Investigation Standard, as part of this apprenticeship, has been developed to provide a recognised and robust pathway for fraud investigators that would allow for parity across sectors and comprehensive development of all knowledge, skills and behaviours associated with being an effective and competent investigation professional.
- 55 The Corporate Fraud Team's 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. Virtual training has been delivered during 2020/21.

### **Covid-19 Frauds**

- 56 Financial support with Covid-19 stimulus packages have been made available to both residents and local businesses. Local Authorities have supported central government in administering some of these packages. Business Rates Grants Schemes, Council Tax Hardship Grant payments and more lately through administering the Test and Trace Payments. DCC has paid out over £104 million in Business Rates Grants to over 9,600 businesses to date. Government guidance for these schemes has been subject to frequent change and significant pressure was placed on local authorities to make these payments swiftly with an emphasis on post payment verification rather than pre-payment verification checks that may slow down the processing of these grants.

- 57 The Covid-19 pandemic has however, also provided an opportunity for fraudsters to exploit people, businesses and public and private organisations. Fraudsters are using sophisticated methods to callously exploit people's financial concerns, scamming them out of money. With the urgency to support people and the billions of pounds being spent from government, fraudsters are also taking advantage of weaknesses in controls.
- 58 Criminals are using known fraud risks to attack local authorities via impersonation fraud, CEO fraud, mandate fraud, phishing emails, empty property fraud, false representation and money laundering. Serious and Organised criminals are exploiting these unprecedented times, but we are also seeing a rise in opportunist fraud.
- 59 The Corporate Fraud Team have played an important role in supporting DCC to verify we are paying out monies to genuine people and businesses who need financial support during the Covid restrictions. The team have led on the post payment verification processes, supported by the Internal Audit Team who have been involved in designing systems and processes on an advice and consultancy basis as services were tasked with establishing new processes to process these schemes.
- 60 Fraud & Corruption has been added to our Covid-19 Risks and is being monitored every fortnight by the Fraud Manager. Corporate Fraud Investigators and the Financial Investigator have spent over 140 days between April and September 2020 verifying grants and bank details, identifying fraud/attempted frauds as well as working in partnership with colleagues from Revenues & Benefits on the fraud risk assessment.
- 61 A national large-scale organised fraud was identified on the Covid Business Grants affecting multiple local authorities. Following notification of the Fraud, the Corporate Fraud Team assisted the Business Rates Team in identifying that DCC had been affected by one Fraudster and worked quickly to prevent payments on a further £695,000 of fraudulent applications by the same organised crime gang.
- 62 The financial investigator successfully froze the fraudster's bank account preventing them from accessing £130,000 of business rates grants that had been fraudulently obtained by false grant applications to other local authorities. Many local authorities were unaware they had been affected. Praise and recognition have been received in relation to DCC's work on these organised frauds from both NAFN and the National Investigation Service (NATIS) in relation to the identification, investigation, prevention, and intelligence provided.

- 63 With intelligence received and through joint working between the Corporate Fraud Team and the Business Rates Team, 58 attempted frauds have also been prevented, with a value of circa £785,000. DCC has paid 17 known fraudulent grants with a value of circa £230,000. These grants are being recovered. Information relating to these cases have been forwarded to NATIS to support criminal investigations and 1 case is currently being investigated in partnership with Durham Constabulary. The grant conditions are such that should the council be unsuccessful in recovering these fraudulent payments, the Government will pick up these costs.
- 64 The Corporate Fraud Team and Internal Audit have carried out extensive post-payment assurance work alongside fraud checks and investigations as follows:
- NFI has been utilised to assist with bank account verification and identify any discrepancies between the grants and Companies House data;
  - The Government Spotlight tool has been utilised to assist with the due diligence checks of the grants. Spotlight provides risked outputs against company status, company age, overdue accounts, insolvency and charity status checks;
  - Data analytics work has been undertaken to review duplicate payments, rateable value to payment amount, review of grants paid without applications (insider threat), top three highest paid businesses, suspicious bank account numbers checked, and the financial investigator has carried out multiple pre order enquiries;
  - Multiple intelligence alerts have been circulated by NAFN providing a picture of the modus operandi of organised frauds, company names used and bank details. Intelligence has also been received from Lloyds and Santander. Prompt action by the Corporate Fraud Team and Business Rates Team on these alerts has resulted in DCC successfully preventing multiple frauds and being able to share intelligence with other local authorities;
  - The Corporate Fraud Team report identified frauds to NAFN, NATIS and the Department for Business, Energy & Industrial Strategy (BEIS), feeding into the national intelligence picture and providing the required national reporting figures.
- 65 Although the Small Business Grant Fund, Retail, Hospitality and Leisure Grants Fund and Local Discretionary Grants Fund Schemes have now closed there is a continuation of this work. There are 97 ongoing fraud investigations, future intelligence alerts to review, collation of fraud

figures for national reporting, post assurance audits, unpaid and refused grants review and reclaimed grants reviews for any fraudulent claims.

- 66 There are also planned regional checks as part of regional fraud hub, further NFI and Spotlight work, ongoing work with Durham Police for a multi-agency operation on Organised Crime Groups who have abused the grant scheme and assisting Durham Police and NATIS in their ongoing prosecutions.
- 67 The ongoing Covid-19 pandemic sees a constant change in restrictions and newly developed support packages, with the Corporate Fraud Team horizon scanning and dealing with new and emerging frauds as they arise. The team is working closely with the Business Rates Team as the Council prepares for the implementation of the Local Restrictions Support Grants to eligible businesses impacted by the local Tier 2 restrictions from 18 September and those required to close from 5 November under the national lockdown. Fraud risks will be reviewed for any new stimulus packages and what approach and involvement the Corporate Fraud Team and Internal Audit will have.
- 68 The risks associated with the closure of Council buildings, offices and an increase in working from home will be reviewed as part of the Covid-19 Fraud Risks and any actions implemented to reduce any identified threats. Progress will be reported to the Committee within the annual report.

### **Background papers**

- None.

### **Other useful documents**

- None.

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## **Appendix 1: Implications**

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### **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 for 2019/20 is £201,891 and in 2019/20 have recovered or intercepted over £3.5million of potential fraud. Between April to September 2020 the team has recovered or intercepted over £1.3million. Since the set-up of the Team in June 2015 the team have recovered or intercepted over £9.5million. Some of the work of the team is also not measured and therefore does not have a value that can be calculated.

### **Consultation**

There has been no need for consultation to be undertaken as a result of this report.

### **Equality and Diversity / Public Sector Equality Duty**

There are no equality and diversity / public sector equality duty implications as a result of this report.

### **Climate Change**

There are no climate change implications as a result of this report.

### **Human Rights**

There are no human rights implications as a result of this report.

### **Crime and Disorder**

Fraud is a criminal offence as defined by the Fraud Act 2006.

### **Staffing**

Potential for disciplinary action to be taken against known employees where fraud has been proven.

**Accommodation**

There are no accommodation implications as a result of this report.

**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**

There are no procurement implications as a result of this report.

**Corporate Fraud Team Results  
April – September 2020**

**Appendix 2**

Fraud Type	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	Frauds No.	Prosecutions No.	OUTCOMES		
							Sanctions No.	Value (£)	Notional Value (£)
Adult Care Financial Assessment	1	1	0	2	0	-	-	-	-
Blue Badge	8	3	5	4	4	1	2	5,138.00	-
Council Tax	23	14	9	11	7	-	-	31,134.99	7,529.08
CTRS	86	64	22	45	30	1	2	17,947.70	3,420.29
Data Breach	-	-	-	-	-	-	-	-	-
Direct Payments	2	2	0	2	-	-	-	-	-
Employee	4	4	0	16	6	-	-	209.52	-
Funding/Grant	117	114	3	18	7	-	-	50,824.85	-
Housing Benefit	3	1	2	-	-	-	-	26,935.47	4,060.77
Insurance	5	5	0	4	3	-	-	39,513.26	-
Irregularity	4	0	4	1	-	-	-	-	-
NNDR	9	1	8	-	-	-	-	-	-
Procurement	4	4	0	2	-	-	-	-	-
Right to Buy	74	74	0	102	47	-	-	891,934.00	-
Schools	1	1	0	1	-	-	-	-	-
SPD	83	57	26	58	21	-	-	11,871.72	16,677.29
Tenancy	49	46	3	31	18	1	-	193,658.30	-
External	124	0	124	-	-	-	-	-	-
<b>Totals</b>	<b>597</b>	<b>391</b>	<b>206</b>	<b>297</b>	<b>143</b>	<b>3</b>	<b>4</b>	<b>1,219,167.81</b>	<b>31,687.43</b>

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.

Notional value is an estimated measure for the preventative amount saved.