Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide.

Purpose of the Report

1   To present the Annual Protecting the Public Purse Report and to inform Members of the work that has been carried out by the Corporate Fraud Team during the period 1 April 2021 to 31 March 2022.

Executive Summary

2   The report provides Members with an overview of activity undertaken by the Corporate Fraud Team during the financial year 2021/22 and up to 31 March 2022 and provides as 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 2021/2022;

  (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 Appendix 4 (marked with an asterisk) is not for publication as it includes Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3.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 for 2021/2022;

(b)   Appendix 3 – Counter Fraud Operation Plan 2022/2023;

(c)   Appendix 4* – Cases of potential internal corporate fraud reported and ongoing investigations;

(d)   Appendix 5 – Corporate Fraud Performance Management Framework 2022/2023.

Recommendations

4   Members are asked to note the contents of the Annual Protecting the Public Purse Report 2021/22 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 2021/2022 (Appendix 2);

(d)   Counter Fraud Operation Plan 2022/2023 (Appendix 3);

(e)   Corporate Fraud Performance Management Framework 2022/2023 (Appendix 5).

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 Audit Committee in June 2018. It has remained unaltered since 2018, albeit annual reviews have been completed as part of the Counter Fraud Operational Plans, as there have been no significant changes needed, until the 2021/22 review was carried out and following the national publication of the Fighting Fraud & Corruption Locally a Strategy for the 2020's, which was presented to the committee in June 2020.

7   The new updated 2022 strategy has been designed around our ambition to be an Excellent Council and based upon five key themes: Governance, Acknowledge, Prevent, Pursue and Protect, adhering to the Fighting Fraud and Corruption Locally – A Strategy for the 2020's.

8   The Counter Fraud & Corruption Strategy 2022 sets out how these themes are addressed at Durham, with a key objective being to Protect the Council, our assets, our employees, the community we serve and ultimately protect the public purse.

Roles and Responsibilities

9   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;

- Acknowledging our Fraud Response and being pro-active in the prevention and identification of potential fraud and irregularity, with the overall aim to protect the Council, our assets, our employees, and the Community we serve;

- 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.

10   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

11   The Corporate Fraud Team has continued to develop over the last year, despite the pandemic continuing to have an impact. The team has

investigated both internal and external frauds, as well as assisting with counter fraud activity.

12   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;

- Investigating potential insurance fraud;

- Investigating potential grant fraud;

- Investigating potential 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, Gentoo Homes and Livin Housing to investigate potential tenancy fraud;

- Working with Bernicia Homes, Gentoo Homes, Karbon Homes, and Livin Housing to investigate potential right to buy and right to acquire fraud and verification checks;

- Membership of the National Anti-Fraud Network (NAFN), CIPFA Counter Fraud Centre and North East Fraud Forum (NEFF) 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;

- Investigating Covid-19 frauds and assisting with post assurance and pre-payment checks with Covid-19 grants.

Counter Fraud Awareness

13 A summary of the counter fraud awareness initiatives progressed in 2021/22 is set out below:

- A continued review of the Corporate Strategic Risk into Fraud & Corruption has been completed, with progress made to develop a Fraud Risk Register embedded within each Service grouping;

- Virtual attendance at Durham Constabulary's Serious and Organised Crime Disruption Panel every two months;

- Virtual attendance at Durham Constabulary's Gold Command Group;

- Fraud awareness with emerging Covid-19 fraud risks being communicated to high-risk areas during 2021/22. Further awareness is continuing, with the 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. It has been agreed for employee data to be reviewed and matched against Durham Constabulary's Organised Crime Group (OCG) data;

- Several warnings have been received from 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 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;

- 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 scams and alerts, so intelligence searches can be made at any time;

- A Fraud Protection Update was designed and implemented during 2021/22 communicating fraud scams and alerts to customer who had signed up to the scheme. There were four editions issued during the year, with further editions to continue during 2022/23;

- The Confidential Reporting Code (Whistleblowing) is available on the Council website for contractors, suppliers, and former employees, as well as publicity for current employees being included on the intranet. There have been eight reports during 2021/22, which is a significant increase from previous years. 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 Council 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 23 prosecutions and sanctioned 54 cases, with potential further cases currently under investigation;

- A continued review of Durham County Council's website relating to fraud and the reporting methods has been carried out, with new pages added to the landing page 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, the Corporate Fraud Sanction Policy, and the Anti Money Laundering Policy are all

available on both the Council website and on the intranet. All these documents are currently being reviewed, with the strategy being presented to Audit Committee in July 2022;

- Training, which includes counter fraud guidance, is included in the Governor Training Booklet. We provide courses over the school year;

- The Corporate Fraud System is maintained for all reported cases of fraud, which is then reported to Service areas and Audit Committee;

- Fraud reporting has continued during 2021/22 with 995 reports made. All of the various fraud reporting channels have been utilised, showing the importance of maintaining these access channels and the need to keep reviewing new reporting methods;

- The Fraud Communications Strategy and delivery programme has continued throughout 2021/22, with various forms of publicity and communications, especially with Covid-19 frauds and scams. Further details of this are included below;

- An electronic process for the Employee Code of Conduct (CCE) declarations was finalised and rolled out during 2021/22.

14   The Counter Fraud Operational Plan 2021/22 was implemented and monitored throughout the year.

15   A new Counter Fraud Operational Plan has been developed for 2022/23, which is attached at Appendix 3. The plan will continue to be monitored every four weeks, so that progress can be effectively managed across the coming year.

16   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.

17   In May 2019 the Council signed up to a joint counter fraud initiative with the Department of Works and Pensions (DWP) local fraud investigators. The joint counter fraud initiative involved DWP local fraud teams, working together with council fraud teams, carrying out joint criminal fraud investigations of the Local Council Tax Reduction Scheme (LCTRS) and Social Security benefit fraud.

18   Since May 2019 there have been a total of six cases jointly investigated, all of which have been closed as no fraud was ultimately 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, therefore this initiative and the review is still on hold. Progress with this initiative will continue to be reported to the Committee within the update activity report.

19   The fraud communication strategy and fraud campaign has progressed during 2021/22, introducing awareness of new fraud risks, a member's awareness and a new scam and alerts website page and mailing list.

20   The fraud campaign supported International Fraud Awareness week in November 2021, which included specific publicity for the Corporate Fraud Team. A Tenancy Fraud Awareness week, in partnership with the North-East Tenancy Fraud Forum was also supported in February 2022.

21   A new Fraud Communications Strategy has been finalised for 2022/23 with the same key messages to 'fight fraud together' and 'stamp out fraud' asking residents, stakeholders, Members, and employees to 'help stop fraud and report it'. This is monitored monthly.

22   The Fraud Communication Strategy is a live document, with further internal and external communications being developed and will continue to be rolled out during 2022/23, with the plan to keep our awareness refreshed and ongoing, especially as 'fraud doesn't stop or stand still'.

23   The Council has piloted an Email Fraud Protection (EFP) product. The product detects fake invoices even from compromised email accounts, rates every invoice for authenticity or indicators of compromise, monitors compromised emails from vendors, suppliers and internal accounts and scans emails continuously including archived content and attachments.

24   EFP assists with vendor/supplier fraud, CEO fraud, from email spoofing and account take overs. Further to evaluating the pilot, a decision was made not to progress with the product. The evaluation gave assurance with current controls and that the amount of resource that would be needed to invest in the product, was not value for money with the potential fraud risks that could be identified.

Reported Cases of Potential Fraud and Irregularity

25   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.

26   A register is maintained by the Chief Internal Auditor and Corporate Fraud Manager of all suspected cases of fraud reported, whether or not the matter is investigated. The register is maintained on the Council's Corporate Fraud System and identifies all different types of fraud, both internal and external.

27   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.

28   Cases are also monitored to identify any potential trends and/or potential weaknesses in the control environment that may require further action or attention.

29   A summary of the potential cases of internal corporate fraud reported in each of the last five years is as follows: -

Financial Year	Number of Cases
2017/18	40
2018/19	30
2019/20	37
2020/21	23
2021/22	25

30   Referrals in 2021/22 have increased slightly in comparison to the previous year, albeit remain low compared to pre-pandemic years. This may well be due to the pandemic and people working at home. 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.

31   Fraud publicity with International Fraud Awareness week in November 2021, publicising the Confidential Reporting Code and the Fraud Communication Strategy, with our Insider Threat messages, has hopefully encouraged reports to be made. Ongoing awareness of the Corporate Fraud Team and promoting our Fraud Strategy will continue to encourage these cases to be reported.

32   Working from home has changed the landscape and potential for internal fraud. Our internal fraud risks and the Council's internal control measures have continued to be reviewed during 2021/22 to ensure that they remain fit for purpose and take account of the increase in home working.

33   A summary of ongoing cases from previous years, and cases reported in 2021/22, together with the outcomes from any subsequent

investigation, are shown as Appendix 4 within Protecting the Public Purse Annual Report (Part B).

34   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.

35   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	Actual Outcome Values	Notional Outcome Values
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	1,133	691	£3,372,722	£78,449
2021/22	995	572	£2,236,608	£60,825
Totals	6,910	4,232	£13,839,533	£204,162

36   Referrals, the number of cases investigated and both outcome values decreased in 2021/22 when compared to previous years. The pandemic has changed the fraud landscape, and ways of working within the Corporate Fraud Team, which has had some impact. These figures are still of a high standard and with the planned changes for 2022/23 it is expected these will increase.

37   The totals show our zero tolerance of over 4,200 investigations and over £14 million worth of fraud uncovered or intercepted over the last seven years. The continual development and journey of the Corporate Fraud Team, with the fraud campaign and strong partnership working have contributed.

38   These partnerships, as well as others, have also allowed the team to commercialise and bring in an income. During 2021/22 the team income was circa £90,000, which is an increase from previous years, and allows for investment back into the service to continue our fight against fraud.

39   During 2019/20 a notional value measure was introduced within the team's performance indicators. This calculates a notional preventative value 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 the Council.

40   A review of our fraud measurement and fraud risk values was completed during 2021/22. A new method of calculating fraud will start for 2022/23, which will be presented within the update activity report in November.

41   A summary of the Corporate Fraud Team case load and values of fraud cases identified during 2021/22, are shown as Appendix 2.

Proactive Counter Fraud Work

42   Across the year, several 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 Counter Fraud Group (NECFG), with the Fraud Manager as the chair;

- Further development of the Corporate Fraud System data warehousing software, which allows localised data matching and intelligence led investigations. New datasets have been included during 2021/22, with the internal hub now having 15 extracts, with over 1.2million records. 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 Corporate Fraud investigations;

- The Police partnership continues to grow from strength to strength and other Local Authorities and forces have contacted us wanting to implement our approach. The FFCL has included our partnership within the new national Strategy as best practice;

- The continuation of the Blue Badge Enforcement Group (BBEG) with one of the Corporate Fraud Investigators as chair. This group is attended by Parking Services, Adult Health Services, and the Corporate Fraud Team to tackle fraud and misuse as a joined-up authority;

- The Corporate Fraud Sanction Policy has allowed us to dispose of one prosecution and four sanctions during 2021/22. This number is low compared to the expected outcomes, and therefore for 2022/23 a new key performance indicator has been introduced for sanctions and prosecutions;

- 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 continues to be developed under the Digital Economy Act and once this goes live, will be one the first fraud pilots nationally for local authorities. Due to the pandemic, and then the resignation of Lord Agnew, the go live date has been put on hold and it is now expected to receive ministerial approval in early 2022/23;

- 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 two-year Strategic Partnership is continuing with Gentoo Homes, for the Corporate Fraud Team to deliver Tenancy Fraud work;

- Strategic Partnerships are continuing with Bernicia Homes, Gentoo Homes, Karbon Homes and Livin Housing 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 (FI). This role has continued during 2021/22 and continues to be invaluable, assisting with criminal investigations, as well as the recovery of monies and assets for the Council;

- This role has given the Corporate Fraud Team other lines of enquiry and powers that previously were not available and has demonstrated the need of a Financial Investigator within the fraud team on a permanent basis. Development of a resource from within the team commenced during 2021/22, with further workforce planning during 2022/23.

National Fraud Initiative

43   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 2020 and matched across systems and against data submitted by other organisations to identify potential fraud and / or error.

44   The main results of the NFI 2020/21 were released between January and April 2021, and produced a total of 84 separate reports, containing 26,659 individual data matches for review by the Council. 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. Results are investigated by service areas, internal audit, and corporate fraud, depending on the report types.

45   As at 31 March 2022, 63 reports / 9,653 matches have been closed and outcomes reported as 106 errors identified and savings of £17,257. There are reports that have been investigated and closed in bulk, but these do not show as individual matches closed and are not included within the 9,653. Most of the reports have now been closed, with some outstanding reports with Covid Grants, Payroll and Creditors.

46   The outcomes show that the controls and our own data analytics and partnership work, seem to be effective, with very few matches having positive outcomes, in that we are already aware and have actioned any error or that the match is incorrect. The outcomes have continued to decrease year on year, with feedback given to the Cabinet Office. New datasets and a programme of work is expected for future NFI exercises to address some of the concerns.

47   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 was submitted in January 2022 with results received the same day.

48   The results produced a total of 2 reports and contained 9,084 individual data matches. With the controls and effective processes already with Revenues & Benefits, a sample of the results were reviewed. The findings showed there was no fraud and error and therefore gave enough assurances to close the full report.

49   The National Fraud Initiative was 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.

50   The 2022/23 NFI exercise is due to start in June 2022, with data submitted in October 2022.

Fraud Reporting

51   The national CIPFA Counter Fraud and Corruption Tracker has not been collated during 2021/22 and therefore there is a gap in national fraud reporting. It is not known whether any future national report will be progressed.

52   As part of NECFG, a benchmarking is carried out to show a regional position, allowing Durham to benchmark against neighbouring authorities in the region. The most recent document once again shows Durham leading the fight against fraud in the North-East Region.

53   Fraud transparency data has continued to be reported on the website as part of the Local Government Transparency Code 2015.

54   The Council 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. The Council is mentioned in the Strategy as a best practice fraud team and thanked for our input. This best practice has recently been updated towards the end of 2021/22.

55   As part of the FFCL strategy, the comprehensive checklist has been reviewed, with a report to be complete during 2022/23. This report and any subsequent actions have been added to the Counter Fraud Operational Plan 2022/23. Any gaps will assist with our fraud response and continually professional development.

56   The Corporate Fraud Team has continued to benchmark with its Local Performance Indicators as part of the Performance Management Framework of the Service. A revised Performance Management Framework (Appendix 5) was designed during 2021/22 and will be implemented during 2022/23.

57   It is expected the new Performance Management Framework will focus the Corporate Fraud Team workloads and allow the team to benchmark against the new strategy themes and objective to be an Excellent Fraud Service.

Fraud Training

58   A Durham Managers programme is included within the Corporate Training Programme and includes Fraud Awareness. 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.

59   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 the Council to protect the public purse. Three members of the team are already qualified. Five members of the team are already Professional in Security accredited counter fraud specialists.

60   The Council was involved in the Local Authority Government Counter Fraud Profession Working Group, which reviewed and developed Local Authority fraud standards and a professional qualification. The Council is currently reviewing membership options and what actions need to be implemented to allow the membership. Any outstanding actions will be included in the Counter Fraud Operational Plan.

61   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.

62   The Fraud Manager has attended virtual conferences and seminars to assist with the team's continuing professional development.

63   A new Corporate Fraud Investigator apprentice was appointed in September 2021, to continue with our plan to 'grow our own' and build the team. They are studying the Level 4 Counter Fraud Investigator apprenticeship and the accredited counter fraud qualification via CIPFA.

64   A Durham cohort has continued during 2021/22, with the Council championing the new Counter Fraud Investigator apprenticeship. This is one of the first of these apprenticeships nationally, again showing Durham leading the way. Three members of the Corporate Fraud Team are enrolled.

65   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.

66   An exercise was started during 2021/22 to benchmark the Council and each officer within the Corporate Fraud Team against these standards. It is expected the exercise will be concluded during 2022/23.

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

Covid-19 Frauds

68   As reported in the update activity report in November 2021, the Covid-19 pandemic has 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.

69   Criminals have continued to use 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 have also seen a rise in opportunist fraud.

70   The Corporate Fraud and Internal Audit Teams have played an important role in supporting the Council to verify we are paying out monies to genuine people and businesses who need financial support during the Covid-19 restrictions. The teams have continued to lead on the post payment verification processes, 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.

71   Fraud & Corruption was added to our Covid-19 Risks and is being monitored on a regular basis. Intelligence alerts from NAFN, CIFAS and other national and regional forums are continually reviewed, with prompt action and awareness to internal service areas and the public.

72   Although most of the Grants Fund schemes have now closed, post assurance work and ongoing fraud investigations continue. There are currently 17 ongoing fraud investigations, with the expectation that this will continue to rise, as post payment assurance work continues. There are a further 13 fraud investigations raised following the recent Omicron Grant Scheme, which have just been allocated for investigation. These new Omicron investigations demonstrate that these types of fraud are still a risk.

73   Since the pandemic the Corporate Fraud Team have investigated 82 Covid-19 Grant Fraud cases, preventing, and identified fraud of circa £1.2million. The team continues to work in partnership with Durham Constabulary and had a successful custodial sentence earlier last year, as well as working in partnership with NAFN and reporting numerous national organised frauds to the National Investigation Service.

74   As part of the Covid-19 Fraud Risk monitoring, we will continue to review the ongoing risks and any emerging frauds, especially as the

pandemic's road map continues to change. It is expected the fraud landscape will continue to evolve and we are committed to be proactive and keep abreast of these risks and to try and be one step ahead of the fraudsters and protect the Council, our assets, our employees, the community we serve and the public purse.

75   The risks associated with the closure of Council buildings, offices, and an increase in working from home has continued to be reviewed as part of the Covid-19 Fraud Risks and any actions implemented to reduce any identified threats. This review will continue as our Insider Threat is still a risk. Progress will continue to be reported to the Committee.

Background papers

- None.

Other useful documents

- None.

| **Contact:** | Tracy Henderson | Tel: 03000 269668 |

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 for 2021/22 is £277,847 and in 2021/22 have recovered or intercepted over £2.2 million of potential fraud. Since the set-up of the Team in June 2015 the team have recovered or intercepted over £14 million. 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 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
2021 - 2022

Fraud Type	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	OUTCOMES				
					Frauds	Prosecutions	Sanctions	Value	Notional Value
					No.	No.	No.	(£)	(£)
Adult Care Financial Assessment	1	0	1	0	0	0	0	0	0
Blue Badge	19	7	12	3	1	0	0	1,136	0
Council Tax (other)	67	20	47	16	4	0	0	15,207	12,341
Council Tax Support	102	52	50	47	7	0	4	29,387	13,962
Concessionary Travel	2	0	2	0	0	0	0	0	0
Direct Payments	5	4	1	2	0	0	0	0	0
Employee	24	24	0	29	14	0	0	0	0
Funding/Grant	29	29	0	28	8	1	0	280,169	0
Housing Benefit	2	0	2	0	0	0	0	10,401	4,414
Insurance	15	13	2	12	3	0	0	41,193	0
Irregularity	10	7	3	11	1	0	0	0	0
NNDR	15	3	12	3	3	0	0	646	0
Procurement	4	4	0	5	3	0	0	89,821	0
Right to Buy	214	214	0	204	51	0	0	1,379,548	0
Schools	1	1	0	0	0	0	0	0	0
Single Person Discount	119	84	35	85	43	0	0	18,930	30,108
Tenancy	135	124	11	127	32	0	0	370,170	0
External	231	0	231	0	0	0	0	0	0
Totals	**995**	**586**	**409**	**572**	**170**	**1**	**4**	**2,236,608**	**60,825**

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.

COUNTER FRAUD OPERATIONAL PLAN
2022/23

APPENDIX 3

Task	Responsibility	Planned Completion Date	Actual Completion Date	Comments / Deliverables
1) Annual review and publication of all five Counter Fraud policies	Fraud Manager / Chief Internal Auditor & Corporate Fraud Manager	31/03/2023		Policies are: 1. Confidential Reporting Code 2. Counter Fraud & Corruption Strategy 3. Fraud Response Plan 4. Money Laundering Policy 5. Fraud Sanction Policy
2) Annual review of Counter Fraud pages on the Internet and Intranet	Fraud Manager	31/03/2023		1. Review and make any appropriate amendments 2. Link in with Fraud Communication Strategy
3) Annual submission of Fraud Transparency data	Fraud Manager	30/06/2022		1. Finalise data 2. Upload onto website
4) Implementation of a Fraud Awareness programme	Fraud Manager / Corporate Fraud Team	31/03/2023		To include: 1. Develop a programme of fraud awareness 2. Service fraud awareness delivered to high-risk areas 3. Implementation of a corporate e-learning fraud awareness training system 4. Introduce a process to alert all relevant service areas of fraud risks alerts 5. Review fraud awareness at induction within recruitment and selection
5) Completion of a Counter Fraud review using the FFCL benchmarking checklist	Fraud Manager	31/03/2023		1. Terms of reference 2. Counter Fraud Review 3. FFCL checklist 4. Recommendations

COUNTER FRAUD OPERATIONAL PLAN
2022/23

Task	Responsibility	Planned Completion Date	Actual Completion Date	Comments / Deliverables
6) To review Privacy Notices and retention guidelines and upload them to website	Fraud Manager / Corporate Fraud Team	31/03/2023		Compliance required in the following areas: 1. Internal data warehouse 2. Case Management System 3. Extracts held on network folders 4. IDEA 5. Northeast Fraud Hub
7) To continue to develop data analytics within the Corporate Fraud Team using both CFS and IDEA, having a proactive timetable of work included within our Fraud Plans	Fraud Manager / Corporate Fraud Team	31/03/2023		1. To agree and upload the remaining extracts into the data warehousing 2. Data Analytical tests created 3. Timetable to deliver some data analytics
8) To progress the Northeast Data Hub with Gateshead and Newcastle, progressing the Digital Economy Act route	Fraud Manager / Corporate Fraud Investigator	31/03/2023		Potential uses of hub: 1. Data Matching – NFI replica 2. Data Matching – Other 3. Intelligence – Internal 4. Intelligence – Cross boundary 5. Verification Vetting 6. RSLs data to be included
9) To monitor and manage the current Tenancy Fraud SLAs, making sure they are Value for Money and Successful	Fraud Manager / Corporate Fraud Team	31/03/2023		Current partnerships are with: 1. Livin Housing 2. Believe Housing 3. Gentoo Homes
10) To monitor and manage all RTB verification SLAs, making sure they are Value for Money and Successful	Fraud Manager / Corporate Fraud Team	31/03/2023		Current partnerships are with: 1. Karbon Homes 2. Bernicia 3. Livin Housing 4. Gentoo

COUNTER FRAUD OPERATIONAL PLAN
2022/23

Task	Responsibility	Planned Completion Date	Actual Completion Date	Comments / Deliverables
11) To develop further Strategic Commercial Partnerships/ Activity	Fraud Manager	31/03/2023		To review: 1. Believe Housing RTB verification 2. Karbon Homes Tenancy Fraud 3. Bernicia Tenancy Fraud 4. Durham Key Options 5. Fraud Services for other LA's 6. Succession Tenancy Fraud verification
12) Protecting the Public Purse Reports presented to Audit Committee bi-annually	Fraud Manager	31/03/2023		Audit Committee: 1. Full Report for 2021/22 (June 2022) 2. Update Report for 2022/23 (Nov 2022)
13) National Fraud Initiative 2022/23	Fraud Manager / Corporate Fraud Investigator / Corporate Fraud Team	31/03/2023		1. Michelle Shiel - Key Coordinator 2. Create folder, timetable, plan etc 3. DCC, Police, Fire and NECA 4. SPD exercise December
14) Progress the Fraud Risk Survey and further develop an Operational Fraud Risk Register To include a Fraud Loss Measurement and Fraud Cost Exercise	Fraud Manager / Principal Risk Officer	31/03/2023		1. Survey to all HoS Service Fraud Risks 2. Create an Organisational Fraud Risk Register 3. Work with service areas on the fraud risks 4. Fraud Champion in each area 5. Regular monitoring of fraud risks
15) Continue to be involved and develop the Regional and National Fraud groups, profiling Durham County Council Corporate Fraud Team	Fraud Manager	31/03/2023		1. Northeast Counter Fraud Group (NECFG) – Chair and Secretariat 2. Northeast Tenancy Fraud Forum (NETFF) – Joint Chair 3. Fighting Fraud and Corruption Locally (FFCL) - Regional Rep and Operational Board member 4. National Investigation Officers Group (NIOG) – Steering Group Member

COUNTER FRAUD OPERATIONAL PLAN
2022/23

Task	Responsibility	Planned Completion Date	Actual Completion Date	Comments / Deliverables
16) Review and implement the Fraud Communication Strategy into 2022/23	Fraud Manager / Comms Team	31/03/2023		1. Separate document for the actions and timelines 2. Ongoing strategy/plan 3. Constant review and monthly meetings
17) Implement the new Fraud Performance Framework and monitor the team performance	Fraud Manager	31/03/2023		1. 4 KPI's 2. 25 LPI's 3. Reviewed and monitored over different periods
18) To continue to progress and monitor the Counter Fraud Apprenticeships	Fraud Manager / Chief Internal Auditor and Corporate Fraud Manager	31/03/2023		1. Intelligencia ends Sept 2022 2. CIPFA apprenticeship commenced September 2021, 24 months
19) To review Procurement Fraud & Grant Fraud Risks and introduce a fraud plan to tackle these areas	Fraud Manager / Corporate Fraud Team / Procurement Service	31/03/2023		1. Project to be started with the CMA into cartels 2. Procurement checklist to be reviewed with service area and agree fraud risks, controls, and any actions 3. Similar approach with grants 4. ToR and Reports
20) To further develop the Financial Investigators Role and embed this within the Team	Fraud Manager / Corporate Fraud Investigator / Corporate Fraud Team	31/03/2023		1. Caroline temporary contract to be extended for 12 months for 22/23 2. Diane to continue with her FI pathway 3. Subgroup to review journey and how can be embedded further
21) To review Durham becoming a member of the Counter Fraud Profession and/or individual membership for officers	Fraud Manager	31/03/2023		1. Benchmark new standards as an organisation 2. Benchmark new standards individually 3. Review gaps and agree how to fill these 4. Link in with WFD plans and appraisals

COUNTER FRAUD OPERATIONAL PLAN
2022/23

Task	Responsibility	Planned Completion Date	Actual Completion Date	Comments / Deliverables
22) To review and develop the Corporate Fraud Team Procedure Manual, a new Prosecution File, and the effective Team Working Practices with CFS	Fraud Manager / Corporate Fraud Team	31/03/2023		1. Working groups for each area 2. Circulate round whole group for final agreement 3. Implement both into CFS and procedure folder etc 4. Linked to System Development Plan
23) To review internal/employee Fraud and the Corporate Fraud Team conducting criminal investigations	Fraud Manager / Chief Internal Auditor and Corporate Fraud Manager / Corporate Fraud Team	31/03/2023		1. Task and finish group with CFT, Legal and HR strategic leads 2. Policy and procedural changes 3. Report to RMT and CMT to agree
24) Value for Money review of the Corporate Fraud Team	Fraud Manager / Chief Internal Auditor and Corporate Fraud Manager / Corporate Fraud Team	31/03/2023		1. Measure costs of the team against income, frauds recovered and prevented 2. Link in with performance management framework
25) To become an Excellent Fraud Service, protecting DCC, our Assets, Employees, the Community we service and the Public Purse	Fraud Manager / Chief Internal Auditor and Corporate Fraud Manager / Corporate Fraud Team	31/03/2023		1. Link into Council Objective to be an Excellent Council 2. Strategy review and changes 3. PPP reports include as section to report bi-annually to RMT, CMT and AC

Corporate Fraud Team Performance Indicators 2022 – 2023

For 2022/23, there are 4 Key Performance Indicators and several Local Performance Indicators used to track performance and the Team's value for money. We will also measure the objective to be an Excellent Corporate Fraud Team, to contribute to one of the Council's objectives to be an Excellent Council. Performance against these targets is shown in the table below:

Indicator	Measure	Target	Frequency
Key Indicators			
Achieve cost neutral from identification of revenue through having a Corporate Fraud Function	Cost of the Fraud Team against the total amount of fraud value or financial savings for DCC as included within our Values & Measurement Value for Money for the Corporate Fraud Team	£277,848	Annual
Prevent financial losses through the Council with having a Corporate Fraud Function	Total amount of fraud value or financial savings for DCC as included within our Values & Measurement Measures the effectiveness of the Fraud Team and the value for money investing in a Counter Fraud function	£1.5M	Annual
Income	Measures the value of the partnerships and in investing our resources away from DCC Fraud Risks Includes non-partnership income from POCA / Investigations Costs / Administrative Penalties and other financial penalties. Measures that CFT are maximising the redress, sanctions and legislation that is available.	£80,000	Annual
Prosecutions & Sanctions	Measures how many criminal investigation outcomes, with a team objective/fraud model to pursue criminal investigations Measures the value of the team having the skills, knowledge, and training/qualifications to progress such criminal outcomes	20	Annual

Local Indicators			Frequency
Referrals			**Monitored**
Total number of Referrals	Measures the effectiveness of the Fraud Communication Plan and delivery of Fraud Awareness, to make sure we have accessible reporting channels both externally and internally	1000 +	Bi-Annual Annual
Total number of Whistle Blowing Referrals	Measures the effectiveness of the Whistle Blowing Policy and Publicity, so that people can feel confident and blow the whistle	No target Ongoing review	Bi-Annual Annual
Source of Referral	Measures the effectiveness of the Fraud Communication Plan and delivery of Fraud Awareness and that we have accessible reporting channels Measures which internal service areas report fraud and any targeted fraud awareness	No target Ongoing review	Bi-Annual Annual
Sifted Referrals	Referrals sifted within 10 working days of date of referral Focuses workloads on our counter fraud plans, fraud risks and allocated resources, making sure referrals are reviewed efficiently	90%	Monthly Quarterly Annual
Allocated referrals	Referrals allocated within 10 working days of date of sift Focuses workloads on our counter fraud plans, fraud risks and allocated resources, making sure referrals are allocated efficiently	90%	Monthly Quarterly Annual
Unallocated referrals	Referrals allocated within 10 working days of date of sift Focuses our workloads on our counter fraud plans, fraud risks and allocated resources, making sure referrals are allocated efficiently Measure's workloads, resources and demonstrates if the number of fraud reports and accepted referrals are manageable	90%	Monthly Quarterly Annual
Rejected referrals	Measures the effectiveness of the Fraud Communication Plan and delivery of Fraud Awareness and that we have accessible reporting channels	No target Ongoing review	Monthly Quarterly Annual

	Measures the volume of rejected referrals that are unable to be investigated due to resources and assists with our fraud planning and strategy Measures the reasoning why the referral was rejected, to show if fraud awareness or training are needed Measures the number of rejected referrals that could not be investigated and/or that are for other law enforcement agencies, so these are forward to the correct law enforcement agency to be dealt with		
Investigations			
Total number of Investigations	Demonstrates the volume of work for the Corporate Fraud Team with the number of investigations closed Measure's workloads, resources and demonstrates if the number of accepted investigations is manageable Measures the total number of investigations against the number of allocated days for reactive investigations in Galileo	No target Ongoing review Could include target to focus on workloads Reactive v Proactive	Monthly Quarterly Annual
Types of Investigations	Measures the fraud risks that are investigated to help inform our Corporate Strategic Fraud Risk, Fraud Planning, and the overall Assurance Opinion Measures which internal service areas that are investigated and how effective our fraud policies are and any targeted fraud awareness Measures the number of investigations against the number of allocated days for reactive investigations in Galileo for specific fraud risks	No target Ongoing review Could include target to focus on workloads Reactive v Proactive	Monthly Quarterly Annual
Investigations started	Allocated investigations started within 10 working days of date allocated Measures Investigators workloads and to assist those investigations	90%	Monthly Quarterly Annual

	are dealt with effectively and efficiently to help protect the public purse/ financial savings for the authority		
Investigations not yet started	Allocated investigations started within 10 working days of date allocated Focuses workloads on our counter fraud plans, fraud risks and allocated resources, making sure investigations are investigated efficiently Measure's workloads, resources and demonstrates if the number of fraud reports and accepted referrals are manageable	90%	Monthly Quarterly Annual
Non CFT Investigations	To capture all fraud reports, that are not just dealt with by the Fraud Team. This assist with the overall Fraud Governance and Assurance Opinion and all cases reported to Audit Committee	No target Ongoing review	Bi-Annual Annual
Ongoing investigations	Ongoing Investigations progressed/reviewed within 20 working days Measures Investigators workloads and those investigations are dealt with effectively and efficiently to help protect the public purse/ financial savings for the authority Measures delay on inactivity that could hinder outcomes with breaches of legislation Measures Investigators competencies and training requirements	90%	Monthly Quarterly Annual
Outcomes of Investigations			
Total number of closures	Investigations closed correctly Measures that all investigations have been closed correctly, so that the outcomes are accurate which	100%	Monthly Quarterly Annual

	then helps inform our Fraud Strategy, Plans and Counter Fraud Governance arrangements and Overall Assurance Opinion Measures Investigators competencies and training requirements		
Actual Value of Frauds	Actual amount of fraud value or financial savings for DCC as included within our Values & Measurement Measures the effectiveness of the Fraud Team and the value for money investing in a Counter Fraud function Cost of the Fraud Team against the total amount of fraud value or financial savings for DCC as included within our Values & Measurement	£1.3M	Monthly Quarterly Annual
Notional Value of Frauds	Preventative amount of notional fraud value for DCC as included within our Values & Measurement Measures the effectiveness of the Fraud Team and the value for money investing in a Counter Fraud function Cost of the Fraud Team against the total amount of fraud value or financial savings for DCC as included within our Values & Measurement	£0.2M	Monthly Quarterly Annual
Types of Values	Measures the fraud risk outcomes that are investigated to help inform our Corporate Strategic Fraud Risk, Fraud Planning, and the overall Assurance Opinion Measures which fraud risks pose a greater threat and how effective our counter fraud policies and any areas to focus	No target Ongoing review	Bi-Annual Annual
Types of Prosecutions & Sanctions	Measures how many criminal investigation outcomes, with a	No target	Bi-Annual Annual

	team objective/fraud model to pursue criminal investigations (part of the KPI target but no specific sanctions) Measures the fraud risk outcomes that are investigated to help inform our Corporate Strategic Fraud Risk, Fraud Planning, and the overall Assurance Opinion Measures which fraud risks pose a greater threat and how effective our counter fraud policies and any areas to focus Measures the value of the team having the skills, knowledge, and training/qualifications to progress such criminal outcomes	Ongoing review	
No Fraud	Measures the number of investigations that resulted in no fraud and includes the reason Measure's resources/investigations are dealt with effectively and efficiently to help protect the public purse/ financial savings for the authority Measures Investigators competencies and training requirements Focuses our workloads on our counter fraud plans, fraud risks and allocated resources	No target Ongoing review	Monthly Quarterly Annual
Partnerships			
Value of Partnership within DCC boundary	Records a notional value for DCC for the work of the partnership i.e., Temporary Accommodation Cost savings with a Tenancy Fraud property returned Measures the value of the team having the skills, knowledge, and training/qualifications to progress such criminal outcomes	No target Ongoing review	Monthly Quarterly Annual
Value of Partnership outside DCC boundary	With these investigations outside DCC area, there is no financial saving for the fraud risk, albeit this	No target	Monthly Quarterly Annual

	work still contributes to Protecting the Public Purse, raising awareness of counter fraud and assisting the reputation of DCC in Counter Fraud	Ongoing review	
Number of Social Housing Properties Recovered and/or Applications Prevented	Measures the total number of properties recovered or prevented for both fraud and compliance Measures the number of days allocated under the Partnership against the success / results These will differ depending on each SLA	Believe Gentoo Livin	Monthly Quarterly Annual
Right to Buy/Acquire Applications Prevented	Measures the percentage of referrals that have been prevented for both fraud and compliance Measures the savings for the Registered Social Landlord (Right to Buy/Acquire discount; rental savings; staffing savings; lock changes etc.)	30% Ongoing review	Monthly Quarterly Annual
Allocated resource (time spent)	Measures the number of days allocated under the Partnerships against the success / results and resources for the Fraud Team in Galileo Broken down between each separate SLA Calculate RTBA cases time against the volume of closures and income charged Measures the value of the partnerships and in CFT investing our resources away from DCC Fraud Risks	Targeted days as agreed in SLA's Ongoing review	Monthly Quarterly Annual
Breakdown of Trading Income	Measures the value of the partnerships and in CFT investing our resources away from DCC Fraud Risks Measures each partnership for value for money	No target Ongoing review	Monthly Quarterly Annual

	Linked to the KPI – this is the breakdown to show the £80K target		
Excellent Council Objectives	**Excellent Corporate Fraud Team**		
Our resources will be managed effectively	Counter Fraud Strategy Fraud Policies and Counter Fraud Governance Counter Fraud Plans Fraud Communication Plan Fraud & Corruption Strategic Risk Corporate Fraud Team/Structure Benchmarking Counter Fraud	No target Ongoing review	Bi-Annual Annual
We will create a workforce for the future	Counter Fraud Strategy Counter Fraud Plans Durham Partnerships Reviewing best practice/innovation Training & Development Plans	No target Ongoing review	Bi-Annual Annual
We will design our services with service users	Counter Fraud Strategy Counter Fraud Plans Engage with public consultation Feedback form for all Partners Outcomes – Protect the public purse/financial savings for DCC Fraud Communication Plan	No target Ongoing review	Bi-Annual Annual
We will use data and technology more effectively	Counter Fraud Strategy Counter Fraud Plans Fraud Data Hub – Internal Hub and Northeast Hub Fraud Communication Plan Reviewing best practice/innovation	No target Ongoing review	Bi-Annual Annual
We will actively performance manage our services	Counter Fraud Strategy Counter Fraud Plans Performance Framework Durham Partnerships	No target Ongoing review	Bi-Annual Annual