

Audit Committee

27 November 2023

Protecting the Public Purse Update:
Position as at 30 September 2023



Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide.

Purpose of the Report

- 1 This report presents members of the Audit Committee with an update on activity relating to Protecting the Public Purse that has been carried out by the Corporate Fraud Team during the first six months of 2023/24.

Executive Summary

- 2 The report provides members with the progress that has been made by the Corporate Fraud Team up to 30 September 2023, including:
 - (a) A summary of the team's performance in the period; and
 - (b) Proactive Counter Fraud work undertaken during the period.
- 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 Appendix 3 marked with an asterisk is not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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 2023.
 - (b) Appendix 3* – Summary of cases of potential internal corporate fraud and ongoing investigations.

Recommendations

- 4 Members are asked to note the contents of the report including:
 - (a) the work carried out by the Corporate Fraud Team;
 - (b) the conclusion of the work undertaken to develop the Northeast Fraud Hub; and

- (c) progress made against the Fraud Key Performance Indicators (KPI's) during the first 6 months of 2023/24.

Background

- 5 The Corporate Fraud Team sit within the councils Internal Audit, Risk and Corporate Fraud service and are responsible for investigating cases of suspected internal and external fraud, as well as assisting with counter fraud activities throughout the council.
- 6 The team operate under a structure that guides and governs counter fraud and associated activities through the Counter Fraud and Corruption Strategy.

<p>Our Strategic Objective</p> <p>To ensure the proper use and protection of public funds and assets.</p>
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To achieve this, our Counter Fraud and Corruption Strategy set's 5 pillars of activity

Our key pillars of activity				
Govern	Acknowledge	Prevent	Pursue	Protect
Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Acknowledging and understanding fraud risks and committing support and resource to tackling fraud to maintain a robust anti-fraud response.	Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes, and developing a more effective anti-fraud culture.	Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability to investigate fraudsters, and a supportive local enforcement response.	Protecting against serious and organised crime, individuals from becoming victims of crime and against the harm that fraud can do to the community. Protecting public funds and the council from fraud and cybercrime.

We will deliver this by:			
Counter Fraud Awareness and Education	Measuring our impact and managing our risk	Tackling the threat	Strong partnership working

Underpinned by the council's core values:

Outcome Focused	People Focused	Empowering	Innovative
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- 7 In 2023/24 we have also introduced a revised framework to measure the performance and effectiveness of the corporate fraud team.

2023/24 Highlights

- 8 There have been 477 referrals made into the Corporate Fraud Team, 73% of which related to Durham County Council alleged frauds.
- 9 During Q1 and Q2:
 - We have confirmed 94 cases of fraud against the council;
 - 125 referrals were received from our registered social landlord partners generating £13,385 of income;
 - We have renewed two of our strategic partnerships with Livin Housing and Believe Homes for the next 3 years, securing a guaranteed income of approx. £55,000 for our Counter Fraud Services from both of these partnerships;
 - The 2022-23 National Fraud Initiative (NFI) exercise is concluding. 857 errors have been identified, 2 frauds have been found and £25,766 of savings have been identified;
 - Fraudulent applications for single person discounts on Council Tax payments continue to be high, with £24,000 in overpayments identified;
 - Almost 500 requests for information were received and actioned for Durham Police between April and September and the team continue to build on key relationships with several specialist teams; and
 - 24 cases have been recommended for sanctions, including disciplinary action, warning letters, the offer of a caution and criminal proceedings.

Performance Analysis - Governance and Acknowledge

- 10 The Counter Fraud arrangements in the annual governance statement were reviewed and updated last year to reflect the new Counter Fraud Strategy and its key pillars of activity. The team continues to work closely with internal audit colleagues to establish effective internal controls and develop protective policies and procedures.
- 11 Post event assurance work such as understanding fraud risks from the NFI exercise, and our own Fraud Hub pilot have given a useful insight into where investigative resource should be focused and has been the first step in using our data to our advantage.

- 12 Minimising the loss in areas where there is a known loss from fraud continues to be a priority as we continue to develop targeted awareness campaigns to service areas most at risk.
- 13 Investment has been made in the team, with a new Corporate Fraud Apprentice starting a 24-month Counter Fraud Investigator apprenticeship with CIPFA, the procurement of a new case management system that will streamline how casework and intelligence analysis is progressed, and the temporary inclusion of a Principal Fraud Investigator to support the Fraud Manager. This demonstrates the continued support from senior managers in bolstering our counter fraud effort.
- 14 The team continue to align towards the Government Counter Fraud Functional Standard operating procedures and together with the close working with the Government Counter Fraud Profession, are looking to develop an assurance model, along with a continuous improvement framework for investigators.
- 15 The Corporate Fraud Team works closely with the National Anti-Fraud Network (NAFN) data and Intelligence Services and continue to report cases of our own fraud through them to other local authorities. We have received several warnings regarding a range of frauds and scams which were communicated to the relevant service areas and through social media to warn our customers.
- 16 Our new Corporate Fraud Key Performance Indicators and performance measurement was introduced in April 2023 alongside quarterly performance reports to the Resources Management Team with Q1 and Q2 reports published to date.

Prevent

- 17 The 12-month pilot for the Northeast Regional Fraud Hub is due to conclude in October 2023. Despite the restricted capabilities of the data matching software used, it has been a successful exercise in providing a 'proof of concept' and has shown that cross boundary fraud exists and would not have been discovered without pro-actively sharing and using our data.
- 18 The digital revolution is being driven using data. The pilot has recognised the value data can play in delivering better outcomes for our service users. Using data effectively and more responsibly is part of our strategy to identify more fraud.

- 19 People who commit fraud understandably try to hide it and the crime can remain undiscovered. During the pilot we undertook the first data matching exercise to pro-actively look for embedded fraud that we may not normally have found in 'real time,' meaning the potential fraud is detected before the biennial NFI exercise.
- 20 The pilot was also an excellent example of a significant move in the Northeast region over the last 2 years to develop better regional working and share best practice.
- 21 This was the first project to use proactive cross boundary data matching to identify cross boundary fraud and corruption. The pilot looked at 5 cross boundary data matching exercises using real time data over a 6-month period. An example of the rationale used, and results generated for one of the matches is given later in this report.
- 22 An evaluation report is currently being prepared with Newcastle and Gateshead councils for the Cabinet Office which will also consider a 'business as usual' model for a Regional Fraud Hub. The pilot did present some challenges that restricted how we could develop some of the matching exercises we undertook and solutions which are being discussed as part of the evaluation.
- 23 The data warehousing software used for the pilot is supplied by Civica, who informed us in February 2023 that they intended to discontinue the development of their fraud module the Corporate Fraud Team currently use. This includes the warehouse and matching software used in the pilot making it difficult to implement changes and improvements as we tested matches.
- 24 The Corporate Fraud Team is moving to a new case management system in 2024 which will also provide a more effective data intelligence solution. The provider is keen to work with us on other projects.
- 25 Data was shared during the pilot using Part 5 of the Digital Economy Act (DEA), which specifically provides for powers to share information to help reduce debt owed to the public sector and combat fraud against the public sector.
- 26 A DEA business case needs to be submitted to the Cabinet Office for each pilot and this is approved at a DEA governance board. The business case outlines what work you will undertake as part of the pilot which cannot be deviated from either in pilot phase or during 'business as usual.'
- 27 Although our current data warehouse has 15 data sets available, for the purpose of the pilot we elected to share 6 under the DEA legislation to use in matching exercises. As the pilot progressed and we saw value in

adding further data sets but could not do this without a further business case to the Cabinet Office. The evaluation exercise will also look at how the data could be shared and used under the GDPR and Data Protection Act.

Cross Boundary Data Matching

The main matches we looked at were Council Tax accounts with a Single Person Discount in payment which were matched against employee or pension records for all 3 authorities. Records were matched by address, and if the name on the council tax account did not match the name of the employee, then this produced a result.

From Durham this generated 47 cross border matches. A second sift was carried out which manually checked the council tax records. This resulted in some cases being closed for either data quality issues or because records confirmed that the second occupant had recently left the property.

From the second sift we identified 21 cases that required further investigation. These cases so far have led to overpayments totalling £3119.

4 investigations are still ongoing and 2 have been referred to our revenues team for reassessments.

- 28 The Corporate Fraud Team have acted as lead coordinator for this year's National Fraud Initiative (NFI). The NFI is a data matching exercise conducted by the Cabinet Office every two years to detect fraud and erroneous payments from the public purse.
- 29 The Corporate Fraud team also coordinated the NFI on behalf of Durham Constabulary, County Durham & Darlington Fire & Rescue Authority and the North-East Combined Authority
- 30 The main results of the NFI 2022/23 were released between January and April 2023, and produced a total of 84 separate reports, containing 19341 individual data matches for review by the Council.
- 31 As of 30th September 2023, all reports have been reviewed with only outstanding matches with payroll, procurement, creditors, and concessionary travel to sift.
- 32 860 errors were identified, 3 frauds were found with a savings value of £32,156.
- 33 The outcomes demonstrate that our own controls seem to be broadly 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.
- 34 The outcomes have continued to decrease year on year, with a 27% decrease in matches from the last exercise.

- 35 We have continued to be a member of the Northeast Tenancy Fraud Forum and lead / chair the Northeast Counter Fraud Group. Both are forums for discussion and knowledge sharing on a range of activities.

Pursue

- 36 The Corporate Fraud Team received 477 referrals between April and September 2023. The part year total referrals for 2022 was 463.
- 37 73% of referrals received referred to fraud concerning Council funds or assets. 125 of the referrals received concerned 'Right to Buy' verifications or cases of suspected tenancy fraud from our Registered Social Landlord (RSL) partners.
- 38 51% of referrals for DCC investigations were retained, the biggest rejections continue to be from suspected Council Tax fraud. For a lot of these rejections, fraud has taken place, but the subject is also in receipt of Universal Credit. In this scenario, a referral to the Department of Work and Pensions must be made first to consider joint working.
- 39 Acceptance on referrals from RSL's is more consistent as they are generally discussed as part of their service level agreement prior to being received. Some tenancy fraud allegations received from members of the public have been rejected due to lack of supporting evidence. All allegations from the public are discussed with the landlord prior to rejection.
- 40 We have also seen our first successful prosecution for a fraudulently obtained Covid19 grant which is explained in the case study below.

Covid Support Scheme Fraud

A Durham resident submitted an online application for a Covid-19 Small Business and the Retail, Hospitality and Leisure Grant to Durham County Council in March 2020. Providing his business rates account number, he declared on the application form that he was the owner of a Garden Centre in Chester-Le-Street, County Durham.

His application was processed, and he was paid £25,000. Subsequent checks with the land registry identified that the premises were sold in November 2019, and he was not entitled to claim the grant.

A fraud investigation revealed that the money had been received and used to fund a lifestyle during the pandemic. He was interviewed and admitted to making a false representation to the council to receive the grant he knew he was no longer entitled to.

He pleaded guilty to Fraud and his legal team argued that a custodial sentence would dent the opportunity to recover the £25,000. As a result, he received a higher-level community order of 18 months with 300 hours of unpaid work.

- 41 24 sanctions have been recommended during April to September which shows a continuous improvement from 2021/22 (4 sanctions) and 2022/23 (17 sanctions).
- 42 11 investigations concerning employees have been concluded and closed, 2 of these resulted in dismissal. A summary of cases of potential internal fraud and on-going investigations from April to September can be found at (part B) appendix 2.
- 43 Our continued joint working with the Blue Badge Enforcement Group (BBEG) continues to be a success and has resulted in the highest number of sanctions considered for the fraudulent use of a Blue Badge. sanctions.
- 44 The purpose of enforcing Blue Badge legislation is to ensure that disabled spaces are available for genuine Blue Badge holders to provide help and assistance with mobility issues. Where offenders misuse the Blue Badges, they benefit from the parking concessions available to genuine badge holders while taking up valuable spaces they are not entitled to. It is hoped that enforcing the legislation will act as a deterrent to those would be offenders.

Blue Badge Fraud

One of the Corporate Fraud Investigators was accompanying a Parking Services Supervisor on a pre-arranged day of action to carry out Blue Badge enforcement spot checks in Bishop Auckland. They observed a vehicle park in a disabled bay and the female driver displayed a Blue Badge on the dashboard.

When our investigator approached the driver and asked to see the badge, it clearly belonged to a male. The driver explained that she was running errands for the badge holder who was not present. The driver was later interviewed and confirmed that she understood the disabled parking notices where the car was parked and that she should not be using the badge without the holder being present.

At court, the female pleaded guilty and the court-imposed fines totalling £501.

- 45 We have renewed two of our Strategic Partnerships for another 3 years with Believe Housing Group and Livin Housing to continue to deliver tenancy fraud investigation work on their behalf.
- 46 These partnerships will bring approximately £55,000 guaranteed income during 2023-2026 which is part of an improved pricing model which covers our investigation costs, NAFN fees for third party checks and investment in new technology to analyse bank statements more effectively.
- 47 This also includes providing right to buy and right to acquire anti money laundering verification work to Livin Housing with projected income being around £35,000 per year.

Protect

- 48 The Corporate Fraud Team Have responded to 457 intelligence checks for Durham Constabulary up to 30th September 2023. 32 of these enquiries were categorised as 'Red' which require a response within an hour and 10 were 'urgent' which relate to a real time Police operation in progress.
- 49 An investigator has continued to represent the council at a multi-agency Disruption panel and works alongside other council teams on regional projects. This forms part of our continued pro-active work to support Durham Constabulary's Organised Crime Team.
- 50 The Corporate Fraud Team upload intelligence reports onto the Intelligence Database which is organised by the Northeast Trading Standards Association (NETSA) and is used by 12 Trading Standards and Neighbourhood teams throughout the Northeast.
- 51 This is enabling us to bring a more joined up approach to investigations across the council on cases of mutual interest and acts as a direct referral mechanism for cases that require further action from HM Revenue and Customs (HMRC). An example of how we are using this is in the case study below.

Utilising the Intelligence Database (IDB)

The Corporate Fraud team often receive information relating to scams and external frauds that and have been limited to how we can circulate this information as formal intelligence to other council and law enforcement teams to monitor trends and identify key problems and threats.

Care Connect recently contacted the team to inform us of reports that some of their customers were receiving calls from people purporting to be from the council offering them medical pendant upgrades. It was established that these calls were from impostors that were targeting vulnerable customers and taking payment from between £39-£89 per month for an upgrade they would never receive.

In addition to giving our usual advice, we can be more pro-active in circulating specific details of the scam throughout the UK Trading Standards intelligence network, who have linked the incident to several other similar scams in the North of England.

- 52 The Corporate Fraud Team is a member of the Northeast Tenancy Fraud Forum and alongside other member councils' fraud teams and Registered Social Landlords, supported National Tenancy Fraud Awareness week in October. This consisted of several social media posts promoting awareness and reporting routes, a video on the impact Tenancy Fraud can have on the homeless and a Northern Echo article on the counter fraud work the group undertakes.

53 For National Fraud Awareness week in November, we will focus on what the council can do to offer help and support if you have been a victim of fraud, especially how we can do more to help vulnerable victims in the community report and receive support if they have been a victim of fraud.

Corporate Fraud Team – Progress against Key Performance Objectives

54 For 2023/24 the performance framework for the Corporate Fraud Team uses 3 key performance indicators to measure the achievement of our strategic objectives, which is: *To ensure the proper use and protection of public funds and assets.*

55 Throughout 2023/24 we will track progress against targets with an intention to set revised targets for 2024/25 that encourage continuous improvement.

56 A summary of performance against the corporate fraud KPI's is given below:

Corporate Fraud - Key Performance Indicators				
<i>To ensure the proper use and protection of public funds and assets</i>		Q1 Progress	Q2 Progress	KPI Annual Target
KPI 1 Investigations	Total amount of fraud value or financial savings for DCC	£109,022	£128,643	£500,000
KPI 2 Partnerships	Corporate Fraud Team income	£19,240	£21,158	£80,000
KPI 3 Outcomes	Prosecutions and Sanctions	7	17	10

57 Performance is measured by only using information available from those investigations which are closed and does not include information available from current cases which are still 'work in progress.'

58 We have identified £237,665 of fraud during the six months to 30 September. This is 47% of the annual target of £500,000.

59 The Corporate Fraud Team have generated £40,398 of income during the six months to 30 September. This is 50% of the annual target of £80,000.

60 We have authorised 27 Prosecutions or Sanctions which has overachieved the annual target of 10.

Background papers

- None.

Other useful documents

- None.

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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. In 2022/23 the Corporate Fraud Team have recovered or intercepted over £1.5 million of potential fraud. 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.