

Audit Committee

29 November 2024

Protecting the Public Purse – Update Activity Report as of 30 September 2024



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 2024/25.

Executive Summary

- 2 The report provides Members with the progress that has been made by the Corporate Fraud Team up to 30 September 2024. The report provides as update on:

- (a) A summary of the team's performance from April to September 2024.
- (b) Proactive Counter Fraud work undertaken.

- 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 Appendix 3 marked with an asterisk is not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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 – Fraud types and estimated value of fraud identified between April and September 2024
- (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) Progress made against the Fraud Key Performance Indicators (KPI's) during the first 6 months of 2024/25.

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.

Our Strategic Objective

To ensure the proper use and protection of public funds and assets.

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
------------------------	-----------------------	-------------------	-------------------

- 7 2024/25 is the second year of a revised framework to measure the performance and effectiveness of the corporate fraud team.

2024/2025 Highlights

- 8 Operational performance has started well with a total of 383 referrals made into the Corporate Fraud Team, 68% (264) of which related to Durham County Council alleged frauds.
- 9 During this reporting period.
 - We have confirmed 28 cases of fraud against the council.
 - 119 referrals were received from our registered social landlord partners generating £46,794 of income.
 - We have identified £867,035 of fraud from April to September.
 - 266 intelligence checks for Durham Constabulary were carried out, 10 of which were 'urgent' and related to a real time Police operation in progress. 138 separate enquiries were received and responded to relating to regional organised crime.
 - Fraudulent applications for Council Tax discounts continue to be high, identifying over £159,000 in overpayments.
 - 6 Prosecutions or Sanctions were authorised against an annual target of 10.

Performance Analysis - Governance and Acknowledge

- 10 The Counter Fraud arrangements in the annual governance statement reflect the councils Counter Fraud and Corruption Strategy and its key pillars of activity.
- 11 Progress has been made since the launch of the strategy in 2023 to embed good governance that will help detect and prevent fraud in the council. This includes.
 - Strengthening and promoting our whistleblower policy
 - Updating existing policies with new best practice guidelines and new legislation, covering our response to money laundering, sanctions, and prosecutions.
 - Working closely with the Internal Audit team in establishing effective internal controls and developing protective policies and procedures.
 - Aligning the team more closely to the Government Counter Fraud Professional Standard including their code of ethics.

- Introducing a new performance framework which includes a clear, confidential reporting route and feedback on internal fraud investigations to senior management.
 - Developing an improved communications strategy to keep residents informed of fraud risks and safe transaction tips.
- 12 Having now set the right ‘tone at the top’, next steps are to now continue to develop an organisational anti-fraud culture to further promote ethical behaviour and discourage fraud.
- 13 We are considering a number of activities to help begin a transition from general promotion and awareness raising to embedding more specific projects and activities.

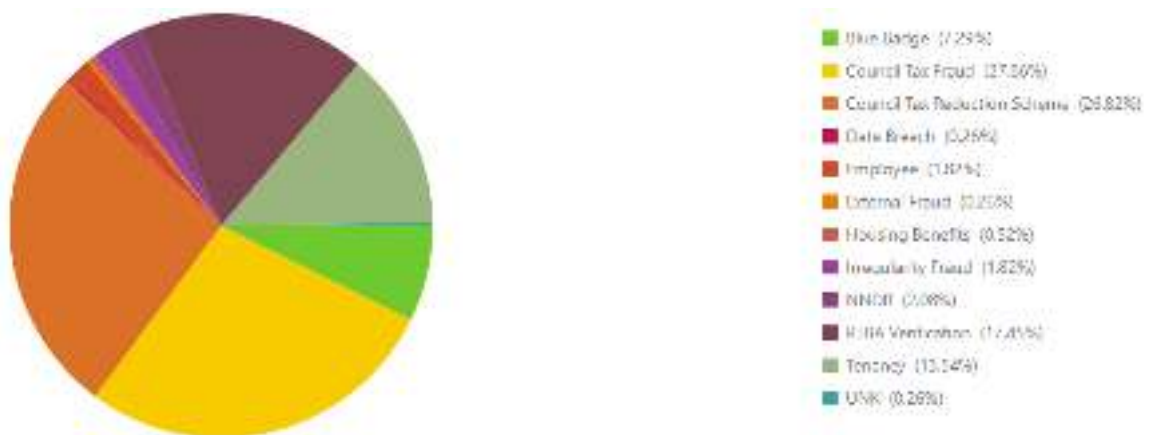
Prevent

- 14 Data Analytics has been used for a number of years to help prevent fraud by analysing data to identify patterns and anomalies that indicate fraudulent activity.
- 15 Technology plays a pivotal role in modern fraud investigations. It not only enhances the efficiency and effectiveness of these investigations but also helps in proactive fraud detection and prevention.
- 16 The National Fraud Initiative (NFI) was created to help local authorities find fraudulent payments and we are now preparing data for the 2024/25 exercise.
- 17 In addition to the NFI, the Corporate Fraud Team developed their own regional Fraud Hub using Digital Economy Act provisions with Gateshead and Newcastle Council to examine cases of ‘cross border fraud’ as well as pro-actively look for embedded fraud within our own organisation that we may not have normally found.
- 18 The pilot was 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.
- 19 Following the introduction of a new case management system and software partnership with Intec for Business in April, the team are now developing a new data warehouse facility, iDIS, that can be used to carry out data matching exercises with using our own data.
- 20 Phase one in the development of iDIS is focused on maximising the use of our own internal data with phase 2 looking at a regional hub model, merging and analysing numerous sources of information.

- 21 iDIS currently holds 15 data sets which we plan to test with analytics campaigns around.
- Single person discount reviews
 - Council tax reduction schemes
 - School admissions
 - Business rates analysis
- 22 Artificial Intelligence (AI) fraud is an emerging risk on the national fraud landscape and is becoming a key enabler for fraudsters. The corporate fraud team are developing a better understanding to be able to deal with this threat as well as being open to using AI to help detect more fraud.
- 23 AI fraud is the use of AI tools to deceive or manipulate people for financial gain, which is usually used to create fake content automate phishing attacks or impersonate individuals or a local authority.

Pursue

- 24 The Corporate Fraud Team received 383 referrals between April and September 2023. The part year total referrals for 2023 was 477.



- 25 68% of referrals received referred to fraud concerning Council funds or assets. 119 of the referrals received concerned 'Right to Buy' verifications or cases of suspected tenancy fraud from our Registered Social Landlord (RSL) partners.
- 26 44% of referrals for DCC investigations were retained, the biggest referrals rejected continued to be from suspected Council Tax fraud. For the majority of these rejections, although it was alleged fraud had taken place, as 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.

27 Council Tax continues to be the largest area of identified fraud found with 210 referrals made.



28 Acceptance on referrals from RSL's are generally discussed as part of their service level agreement prior to them being sent to us, so rejections in this area are mainly from malicious or spurious allegations from members of the public. All allegations from the public are discussed with the landlord prior to rejection.

29 4 sanctions have been recommended during April to September which is a noticeable drop from 24 at this point last year following targeted work with parking enforcement colleagues around Blue Badge misuse.

30 Misuse of the Blue Badge scheme continues to be an increasing fraud type accounting for 10% of the referrals and 50% of the sanctions and prosecutions delivered.

31 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.

32 New guidance and procedures have been rolled out to the blue badge team and parking enforcement colleges introducing a more integrated joint working approach to misuse. Further work is ongoing around cases of fraud and enforcement.

33 7 investigations concerning employees have been received and one concluded, resulting 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.

- 34 We continue to deliver fraud investigation services through strategic partnerships with Believe Housing Group and Livin Housing but have ended partnership working with Gentoo Homes due to capacity challenges.
- 35 These partnerships have generated £46,794 income during this reporting period and current work in progress suggests our income target of £70,000 is on course to be met.

Protect

- 36 The Corporate Fraud Team Have responded to 266 intelligence checks for Durham Constabulary up to 30th September 2024. 42 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. 138 separate enquiries were received and responded to relating to regional organised crime.
- 37 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.
- 38 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.
- 39 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).
- 40 An investigator from the Corporate Fraud Team completed their Accredited Financial Investigator training in August with the National Crime Agency and is now working closely with officers from the Financial Investigation Unit at Durham Police during their 'trainee' period.
- 41 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.

- 42 For International Fraud Awareness week in November, we plan to focus on a range of internal and external communications to demonstrate our commitment to protecting public funds from fraud and what the council can do to offer help and support if you have been a victim of fraud.

Corporate Fraud Team – Progress against Key Performance Objectives

- 43 For 2024/25 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.*
- 44 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	£125,447	£136,970	£400,000
KPI 2 Partnerships	Corporate Fraud Team income	£30,502	£16,292	£70,000
KPI 3 Outcomes	Prosecutions and Sanctions	4	2	10

- 45 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'.
- 46 We have identified £262,417 of fraud relating to Durham County Council funds or assets from April to September. This is 66% of the annual target of £400,000.
- 47 We have a Corporate Fraud Team income of £46,794 from April to September. This is 67% of the annual target of £70,000.
- 48 We have authorised 6 Prosecutions or Sanctions so far against an annual target of 10.

Background papers

- None.

Other useful documents

- None.

Contact: Tracy Henderson

Tel: 03000 269668

Paul Gibbon

Tel: 03000 260776

Appendix 1: Implications

Legal Implications

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

Finance

Loss to the Council arising from fraudulent actions. In 2023/24 the Corporate Fraud Team have identified over £2.2 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.

Fraud types and estimated value April 1st – September 20th 2024

The table below shows the types of fraud referred into and investigated by the Corporate Fraud Team during the period 1st April to 30th September concerning council funds or assets.

Types of fraud	Referrals Received	Referrals Accepted	Referrals Rejected	Investigations Closed	Frauds No.	Outcomes		
						Prosecutions No.	Sanctions No.	Value (£)
Blue Badge	28	20	8	12	3	0	3	£4002
Council Tax	24	10	14	27	3	0	0	£22,335
CTRS	103	67	36	21	8	1	0	£124,754
SPD	83	45	38	66	11	-	0	£12,682
Data Breach	1	1	0	0	0	-	1	-
Adult Social Care	0	-	-	1	1	-	-	£2,875
Employee	7	7	0	1	0	-	1	£31,335
Funding /Grant*	0	-	-	4	2	-	-	£64,434
Housing Benefit	2	0	2	2	0	-	-	-
Insurance	0	-	-	0	0	-	-	-
Irregularity	7	2	5	7	0	-	-	-
Business rates	8	3	5	5	0	-	-	-
Procurement	0	-	-	0	0	-	-	-
Schools	0	-	-	0	0	-	-	-
External	1	0	1	1	0	-	-	-
Totals	264	155	109	147	28	1	5	£262,417

The table below shows fraud investigations and verification work for registered social landlords undertaken by the Corporate Fraud Team during the period 1st April – 30th September 2024.

						Outcomes		
Fraud Type	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	Frauds No.	Prosecutions No.	Sanctions No.	Value (£)
Right to Buy	67	67	0	54	14	-	-	£499,091
Tenancy	52	34	18	35	11	-	-	£105,527
Totals	119	101	18	89	25	-	-	£604,618

END OF REPORT