



**Governance and Audit
Committee**

Tuesday 20 July

Subject: Annual Fraud Report 2020/21

Report by:	Assistant Director of Finance and Property Services and Section 151 Officer
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Purpose / Summary:	Annual report on identified of fraud during 2020/21 and proactive measures undertaken to counter fraud during the year and for the following year.

RECOMMENDATION(S):

That Members

- 1) Note the anti-fraud work undertaken during 2020/2021 and the fraudulent activity identified thereby.
- 2) Seek assurance that the Council's anti-fraud work has been, and will continue to be, sufficiently robust and effective.
- 3) Support the proposed anti-fraud work to be undertaken during 2021/2022.

IMPLICATIONS

Legal:

None from this report.

Financial : FIN/42/44/TJB

The Council contributes £3,000 per annum to the Lincolnshire Fraud Partnership and £1,290 per annum for participating in the National Fraud Initiative.

During the year Council Tax overpayment penalties have totalled £280 (£1,120 2019/20)

There were no proven Housing Benefit Frauds (£9,482.76 2019/20) however, identified claimant errors totalled £18,998.32 (£26,827.21 2019/20)

Staffing :

Staff receive mandatory e-learning on fraud awareness, cyber-crime and money laundering and whistleblowing

Equality and Diversity including Human Rights :

None from this report.

Data Protection Implications :

There are data sharing agreements in place between the DWP and NFI for fraud protection/identification purposes.

Climate Related Risks and Opportunities:

None from this report.

Section 17 Crime and Disorder Considerations:

Fraud is a crime and where identified will be reported, investigated and recovered in accordance with our polices.

Health Implications:

None from this report

Title and Location of any Background Papers used in the preparation of this report :

Wherever possible please provide a hyperlink to the background paper/s
If a document is confidential and not for public viewing it should not be listed.

Risk Assessment :

The Council has various procedures and internal controls to mitigate fraud

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Purpose of this report

- 1.1 The report provides an overview of fraudulent activity during 2020/21
- 1.2 It seeks to inform Members of counter fraud activity and to provide assurance and demonstrate that the Authority continues to have a robust counter-fraud culture and effective counter-fraud arrangements in place to ensure fraud risks are managed effectively.
- 1.3 Whilst the Authority, through its policies, procedures and internal controls makes efforts to protect itself, fraud is considered a growing concern, therefore vigilance is required at all times.

2 Background

- 2.1 Fraud is defined as a deception deliberately practiced in order to secure a gain (or cause a loss).

The areas particularly considered in the context of risks from financial crime are in relation to fraud, corruption, theft, bribery, and money laundering.

Fraud – ‘the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation (misuse) of assets or otherwise for gain’. Through false representation, failing to disclose information or abuse of power

Corruption – ‘the offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately’.

Theft – ‘appropriating property belonging to another with the intention of permanently depriving the other of it’.

Bribery – ‘is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage’.

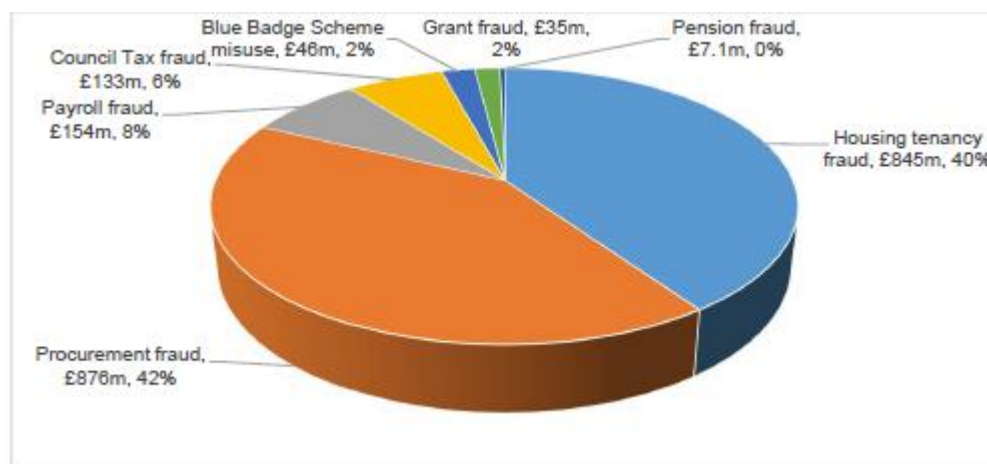
Money laundering – ‘an activity which falls within the Proceeds of Crime Act 2002, (as amended by the Serious Crime Act 2015 and new regulations 2017) whereby criminally obtained money or other assets are exchanged for clean money or assets with no link to their origins’.

Whistleblowing – ‘when a person reports suspected wrongdoing at work. Officially this is called ‘making a disclosure in the public interest’.

- 2.2 The Government estimate that fraud costs the public sector between £31bn - £53bn per year and research by the Policy Exchange estimates that fraud and error through the Coronavirus crisis will cost the government £4.6bn

- 2.3 The cost of fraud to local government is estimated at £2.2bn (money which could be used for local services).

The illustration below breaks down these estimated losses;



3. Fraud Activity 2020/21

- 3.1 There have been no instances of fraud identified during the year in relation to Authority activities. However, the Business Grant Team identified 2 fraudulent grant applications pre-payment, which were part of a national fraud ring, this saved £20k in government funds.
- 3.2 In relation to Revenue and Benefits fraud is detailed below;

This was heavily affected by the pandemic, we were told to be lenient and the DWP Fraud team were redeployed to the front line for the best part of the financial year.

The figures are;

- Council Tax Fraud overpayments
 - 4 cases where sanctions were placed each with a £70 penalty charge totalling £280 (£1.120 2019/20)
- Housing Benefit Fraud
 - 0 cases of proven fraud identified through a Department for Work and Pensions (DWP) investigation – Fraud Team redeployed March 2021 due to the pandemic (1 case £9,482.76 2019/20)
- Housing Benefit Matching Service
 - Identified Claimant errors totalling £18,998.32
 - Local Authority errors totalling - NIL
 - Government Error (DWP) - NIL

3.3 Data matching - National Fraud Initiative (NFI)

The Authority subscribes to the National Fraud Initiative which matches data held in public and private sector bodies to prevent and detect fraud. This is a bi-annual exercise with a variety of services included in each exercise as prescribed by NFI.

The 2020/21 data matching files have all be uploaded and some matches have recently been released and will be investigated in due course.

The graphs below display the counts of individuals with potential fraud risk factors identified for the 2020/21 data matching exercise. Broken down into dataset types, individuals are assigned a cumulative score based on the number of matches identified and then grouped into categories. Individual matches are then investigated.

In relation to Payroll this case identified a previous employee who had taken up a position with another Council.

Council Tax Reduction Scheme		Housing Benefit Claimants	
→ High	26	→ High	9
→ Medium	250	→ Medium	0
→ Low	116	→ Low	8
→ Nil	10	→ Nil	2
Total	402	Total	19

Payroll		Waiting List	
→ High	1	→ High	4
→ Medium	0	→ Medium	0
→ Low	0	→ Low	0
→ Nil	0	→ Nil	0
Total	1	Total	4

3.4 Fraud Partnership

The Authority is a member of the Lincolnshire Fraud Partnership and as such meet on a regular basis. We work together to create a Fraud Plan and to share knowledge and expertise and to identify new fraud risks.

During the year we have seen an increase in the number of notifications from the Lincolnshire Fraud partnership informing us of

attempted frauds experienced in other partner authorities, these included, attempts to change a creditors bank details, telephone scams where caller purporting to be from HMRC or Police with the objective to get the victim to pay money. False creditor invoices with incorrect bank details. Emails requesting transfer of funds.

There has been a significant increase in notifications of attempted fraud in relation to the grants being issued by local authorities to support businesses through Covid-19 and the Fraud Partnership have ensured that cases and intelligence is shared.

The finance team and relevant other officers are notified upon receipt however our processes are robust and appropriate due diligence undertaken. Whilst payments of grants were made prior to, an internal audit is currently being carried out on the Business Grants process.

The Partnership have recently shared their 2021/22 work plan which is contained in the table at section 6 of the report below.

3.5 A number of Internal Audits were undertaken during the year which are relevant to countering fraud;

- Treasury Management – High Assurance
- Key Controls – Council Tax, General Ledger, VAT – High Assurance
- Business Rates (NNDR) – High Assurance

4. Work undertaken to counter fraud during 2020/21

- NFI 2020/21 data matching submissions
- Members Fraud Awareness Training
- Business Grant due diligence procedures

5. Counter Fraud Policies

The following policies were reviewed during 2019/20 and changes approved by this Committee. These are reviewed on a tri-annual basis.

- Anti-Money Laundering Policy;
- Prevention of Financial Crime Policy;
- Anti-Fraud and Corruption Policy;
- Anti-Bribery Policy.

6. Proactive Work Programme 2021/22

Risk Area	Planned For	Current Status	Responsible Officer
Various fraud areas	2021/22	NFI bi-annual exercise – matching results to be investigated	T. Bircumshaw
Fraud Awareness Training - Members	Ongoing	Delivered as part of Member inductions	E. Redwood
Fraud Awareness Training - Staff	Ongoing	Now part of onboarding and induction.	T.Bircumshaw/ E. Redwood
Mandatory Training – Cyber Crime Fraud Awareness Anti Money Laundering	Nov 2021	E-learning available on training platform Now part of on boarding requirements. Annual completion	T Bircumshaw/ E. Redwood
Governance And Audit Committee Counter Fraud assurance training	TBC	Fraud Partnership developing training session	T. Bircumshaw
Fraud Leaflet	Nov/Dec 2021	For Staff, Managers,	T. Bircumshaw
Policy Review	Jan 2022	Commences November 2021	T. Bircumshaw
Joint procurement of Single Persons Discount Review 2021	Jan 2022	Review to commence April 2022 (delayed due to Covid-19 priorities)	T. Bircumshaw