

Update on Counter Fraud Activities

SUMMARY

- 1.1 This report provides an update on the counter fraud activities, including the National Fraud Initiative, being undertaken within the Council in the period 1 July 2018 to 30 September 2018.
- 1.2 It also provides an update on any notifications/investigations that have taken place under the following legislation:
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017)
 - Bribery Act 2010
 - Public Interest Disclosure Act 1998
 - Regulation of Investigatory Powers Act 2000

RECOMMENDATION

- 2.1 To note the actions taken and the progress being made on counter fraud activities across the Council.

REASONS FOR RECOMMENDATION

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

SUPPORTING INFORMATION

National Fraud Initiative (NFI) – 2018/19 Exercise

- 4.1 The 2018/19 National Fraud Initiative (NFI) exercise is now underway. The Council was required to extract and submit all data sets on 8 October 2018. All the data sets were checked for reasonableness prior to submission by internal audit and then uploaded onto the NFI secure website within the required timescale.
- 4.2 It is expected that the matches will then be available to all participants from 31 January 2019.

NFI - NNDR / Business Rates Pilot

- 4.3 It was reported at the June meeting that the Council, in conjunction with several other East Midlands local authorities, was participating in an NFI data matching pilot exercise for Business Rates data. The East Midlands pilot is being led by Nottingham City Council. The data has been matched to other data sets - Personal Alcohol Licences, Creditors Standing Data and Residential Care Homes.
- 4.4 NNDR matches have been received and consist of 9 reports. The Counter Fraud Team is in the process of checking the matches.

NFI - Social Care Pilot

- 4.5 Recent research indicates that adult social care is perceived to be one of the biggest fraud threats by local authorities. The NFI Team have responded by launching a new pilot to match social care payments to Disclosure of Death Registration Information (DDRI) data and the Counter Fraud Team have committed to take part in the pilot. The Council's data was uploaded in September and matches (15 potential matches identified) have been received and are under investigation.

NFI Exercise 2016/17

- 4.6 The Cabinet Office has recently published its report on the last NFI exercise in which it states "that due to the hard work of all of the 1,200 public and private sector organisations that participate in the National Fraud Initiative, over £300 million fraud and error has been prevented or detected in the period April 2016 to March 2018". The report is attached at Appendix 2.
- 4.7 The Cabinet Office has said that "this is a record for the NFI in any reporting period since its creation in 1996, and brings our cumulative outcomes to £1.69 billion".
- 4.8 The report sets out the NFI strategy for the next four years. At its core is the need for collaboration and innovation, and is being shaped by feedback from the organisations that take part. The City Council has been invited to provide feedback on the proposed improvements to how the data matches are presented in the NFI web application. The aim of the Cabinet Office is to ensure the NFI continues to provide the public sector with "flexible and sophisticated fraud prevention and detection tools that achieve results quickly and efficiently".

4.9 The key areas nationally where fraud and error have been identified are:

- £144.8 million in occupational pension fraud and overpayments
- £32.6 million in fraudulent or wrongly received council tax single-person discount
- £24.9 million of housing benefit fraud and overpayment
- £25.5 million in social housing waiting-list misrepresentation
- £18 million of blue badge misuse – 31,223 blue badges were revoked or withdrawn
- £5.5 million from tenancy fraud

4.10 The results of the local NFI work within the Council have been regularly reported through to this Committee.

Counter Fraud Team

4.11 The Counter Fraud Team consisting of 3FTE and based within Revenues, Benefits and Exchequer Services continues to focus on :

- Raising fraud awareness
- Preventing fraud
- Detecting fraud
- Understanding emerging fraud risks

Raising Fraud Awareness

The highlights for this stream include:

- a) Press release following successful prosecution
- b) Fraud awareness training for staff
- c) Increased advertising of online fraud reporting tool
- d) Investigator received VIP award prompted by a member of the public following successful recovery of a property from a tenant who was causing significant local distress

Preventing Fraud

The highlights for this stream include:

- a) Continuing to provide additional checks for Right to Buy cases
- b) Continuing to work with Adult Social Care to prevent fraud in supported accommodation
- c) Working with Insurance team to strengthen fraud detection process
- d) Working with Derby Homes to undertake pro-active checks to prevent and detect fraud
- e) Continuing to host the East Midlands Fraud Group with local partners and agencies to share best practice and identify emerging fraud risks

Detecting and Investigating Fraud

The highlights for this stream include:

- a) 6 Derby Homes properties recovered, 5 housing applications refused
- b) Pro-active work on council tax exemptions yielded £77k additional income
- c) Successful prosecution for a tenancy sublet case
- d) Continuing to provide intelligence to support Modern Slavery and Organised Crime Groups and to support the Rogue Landlord Initiative
- e) Checking additional NFI report on Social Care and NNDR

Understanding Emerging Fraud Risks:

In addition to investigating fraud the team is working with the following service areas to minimise their exposure to fraud risks:

- a) Insurance team
- b) Social care and direct payments
- c) Parking services
- d) Children missing from education
- e) Homeless team

- 4.12 The statistics for the Counter Fraud Team in the period 01/04/2018 to 30/09/2018 are contained in Appendix 3

Public Interest Disclosure Act 1998

- 4.13 There have been 5 disclosures made under the Council's Whistleblowing policy since 1 July 2018. This makes a total of 12 cases in 2018.
- 4.14 The table below summarises the progress on the 5 disclosures:

Case Number	Description	Progress/Outcome
8	Non-compliant contract award and potential conflict of interest.	Service terminated with the Provider. Issues around not using corporate contracts within the team have been raised and are being reviewed.
9	Inappropriate practices and potential data breach at a Council establishment	The Head of Service has reviewed the allegations of inappropriate practices and found no evidence to support this. The potential data breach is being reviewed by the Council's information governance team.
10	Conflict of interest with grant aided organisation and concerns over the award of grant funding to a specific service provider.	Interest in the organisation has been appropriately declared and recorded. Process around awarding of grant being reviewed.
11	Non-adherence to income policy/procedure and failure to properly action a direct debit mandate.	Internal Audit is currently carrying out a fact finding review.
12	Poor management practices within a team.	Referred to Service Director to review the issues raised and to take the appropriate management action.

4.15 An update on the 7 cases reported at the June Committee meeting is given in the table below:

Case Number	Description	Progress/Outcome
1	Allegations of bullying and harassment.	Investigation concluded by the Head of Service. Awaiting management feedback.
2	Potential falsification of timesheets, purchasing stock for non-Council contracts.	Investigation concluded - Internal Audit has issued a draft systems weakness report and investigation report. Awaiting management comments.
3	Not following policy on affordability in respect of senior managers being granted "redundancy"	Concluded – no need for a formal investigation.
4	Allegations of bullying and victimisation by a Manager.	Concluded – Head of Service has addressed the issues raised.
5	Number of issues raised, including safeguarding issues involving behaviour/practices at a Council establishment	Concluded – action taken to mitigate risks/weaknesses identified.
6	Query regarding what guidance/policy exists relating to Managers holding meetings (e.g.1:1's) outside of the workplace in coffee shops or at their home	Concluded – not contrary to Council policy or guidance.
7	Door to a secure room being jammed open at weekends in the daytime	Concluded - no conclusive evidence to support the allegation.

- 4.16 As reported at the June meeting, the Interim Monitoring Officer and the Head of Internal Audit are reviewing the Council's Whistleblowing processes and a report on the outcomes of this review will be brought to a future meeting of this Committee.

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017)

- 4.17 There have been no reports of potential Money Laundering made under the Council's Anti-Money Laundering Policy since 1 July 2018.

Bribery Act 2010

- 4.18 There have been no reports of suspicions of bribery made under the Council's Anti-Bribery Policy since 1 July 2018.

Regulation of Investigatory Powers Act 2000

- 4.19 The Council is wholly responsible for the administration and recording of Part II RIPA activity (covert surveillance and the use of covert human intelligence sources), which Part I activity (access to communications data) is undertaken on behalf of all local authorities by the National Anti-Fraud Network (NAFN). During the quarter period, 1/7/2018 -30/9/2018, there was no recorded activity under Part II of RIPA. For Part I activity, one application to NAFN for access to communications data was made.

OTHER OPTIONS CONSIDERED

- 5.1 N/A

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	N/A Don McLure, Strategic Director of Corporate Resources N/A N/A N/A N/A
For more information contact: Background papers: List of appendices:	Richard Boneham, Head of Internal Audit Tel:01332 643280 richard.boneham@derby.gov.uk Tracey Thomas Senior Counter Fraud Investigator, Tel:01332 643138 Tracey.thomas@derby.gcsx.gov.uk None Appendix 1 – Implications Appendix 2 – Cabinet Office – NFI National Appendix 3 – Counter Fraud team Savings breakdown

IMPLICATIONS

Financial and Value for Money

- 1.1 The scale of fees for mandatory participants for the 2108/19 NFI exercise remains at £3,650, unchanged from NFI 2016/17.
- 1.2 The Cabinet Office has proposed to fund approved pilot initiatives from existing resources.
- 1.3 The Counter Fraud team was set up on the basis that it would be self-financing. The recoverable savings shown in Appendix 3 exceed the annual cost of the 3 fraud officers, paid for from Derby City Council budgets. The Counter Fraud Team has a local target in the 2018/19 financial year to deliver of 200% return on investment. At the half year stage, the results in Appendix 3 show that this target is on track to be achieved by the cashable savings alone.

Legal

- 2.1 The Cabinet Office, as the 'relevant minister' responsible for data matching exercises, conducts the NFI under its statutory data matching powers set out in Part 6 of the Local Audit and Accountability Act (LAAA) 2014.
- 2.2 The legislation provides safeguards on the use and disclosure of data, including the requirement for a statutory Code of Data Matching Practice which helps ensure that all those involved in the NFI exercises comply with the law, especially the provisions of the Data Protection Act 1998. It sets out the expected data security and privacy standards appropriate to the NFI.

Personnel

- 3.1 None directly arising

IT

- 4.1 None directly arising

Equalities Impact

- 5.1 None directly arising

Health and Safety

- 6.1 None directly arising

Environmental Sustainability

- 7.1 None directly arising

Property and Asset Management

8.1 None directly arising

Risk Management

9.1 None directly arising

Corporate objectives and priorities for change

10.1 The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.