

SUBJECT:	FRAUD AND ERROR HALF YEAR REPORT 2020/21
DIRECTORATE:	CHIEF EXECUTIVE
REPORT AUTHOR:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

- 1.1 To receive the Fraud and Error half year report.

2. Background

- 2.1 The Audit Committee receive a half-year and year end fraud and error report which is attached at Annex A. This is linked to its terms of reference and contributes to the overall governance arrangements of the authority and the annual governance statement.

3. 2020/21 Fraud and Error report

- 3.1 The report covers key messages, investigations, proactive work, fraud partnerships, referrals and action plan.

4 Impact of Covid-19

- 4.1 There has been some impact in terms of delaying some pro-active work for 2020/21 and this is outlined in the report and action plan.

5 Housing benefit/Council tax support

- 5.1 For 2020/21 the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for the period 1st April – 30th September was 10. There have been no prosecutions or administrative penalties issued. For the first 3 months of the financial year, all activities associated with DWP Fraud Investigation and Compliance, including HB were suspended due to the COVID-19 crisis. In July, DWP Counter Fraud, Compliance & Debt Directorate (CFCD) colleagues re-started some limited counter fraud activities and are now carrying out compliance interviews by telephone with Employment and Support Allowance, Income Support and Job Seekers Allowance claimants. 'HB only' cases are not being dealt with.
- 5.2 Over the years, there has been a reduction in referrals which is due to more pro-active work around the National Fraud Initiative (NFI), Verification of Earnings and Pensions (VEP) and the Housing Benefit Matching Service (HBMS). National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Verification of Earnings and Pensions (VEP) replaced the Right Benefit Initiative (RBI) 2018/19. Under this initiative Authorities are asked to focus purely on changes to earnings and Pensions that occur on a daily basis. Information is fed through to the system via a link with HMRC. Housing Benefit Matching Service (HBMS) is a mechanism used to cross

reference all Department for Work and Pensions' (DWP's) benefits systems by data matching details against local authorities (LAs) systems with the purpose to support LAs to identify fraud and error.

- 5.3 From October 2020, the Housing Benefit Award Accuracy Initiative (HBAA) was introduced which requires local authorities (LA's) to complete full case reviews and self-employed earnings reviews on high risk cases. Data is provided by the DWP. The aim of the initiative is to proactively identify unreported changes and make sure that the right amount of benefit is paid to the right person at the right time.

6. Cyber Crime and Cyber Security

- 6.1 Online fraud, also known as cyber-crime, covers all crimes that take place online-are committed using computers, or-are assisted by online technology. The Council continues to place high importance on cyber security. Security measures are applied, kept under review and audited regularly. The Authority is also subject to Central Government compliance initiatives. The Council faces multiple attacks each day which are prevented, detected and neutralised by systems and software. An anti-malware internal audit was completed in 2019/20; this provided substantial assurance. IT Disaster recovery is still a significant issue on the AGS (Annual Governance Statement) and this is being monitored through the Audit Committee Reminders to staff are sent periodically around cyber fraud and cyber-crime. Phishing and malware activity is closely monitored and trends identified and acted upon. Information is shared between regional and national cyber security teams. This allows us to build our knowledge of the cyber fraud threat. Our "Scambusters" partnership also helps to inform the public and partners in relation to cyber crime and scams. CoLC is now part of an LRF (Lincolnshire Resilience Forum/MHCLG) Cyber Resilience Group. The LRF/MHCLG have developed a cyber-resilience plan and the Council has access to a range of resources including training materials and documentation. CoLC is planning on developing cyber resilience plans

7 NNDR and SBRR

- 7.1 The NNDR team continue with proactive checks on planning lists and utilising the Visiting Officer capacity within the team. There are regular reviews of reliefs including Small Business Rate relief, Charity relief, Other discretionary relief. For 2020/21, Small Business Rates Relief (SBRR) is being reviewed through a third party, to cross check against other authorities as to whether a business is in receipt of SBRR. SBRR regulations allow for small single businesses, not multiple. This is progressing well and has stopped giving SBRR from the outset rather than seeking clawback. Officers were involved in one national case where the company made claims all over the country that they had occupied properties on 1.2.2020 and that they were entitled to small business rate relief.

8 Council Tax – SPD (Single Person Discount)

- 8.1 The latest bulk review was due to be undertaken during April –August 2020 and then on a rolling review from October 2020 onwards (pending successful tender process). However due to COVID the SPD bulk review has been postponed until April – August 2021, with the rolling review starting October 2021 (post tender process). The last review saw 566 SPD's removed.

9 Housing tenancy

- 9.1 Tenancy fraud covers several areas including unlawful sub-letting or assignment, non-occupation, key selling, application deception, right to buy fraud

For 2019/20 there were 5 sub-letting cases investigated with one case substantiated. There were 10 notices to quit (NTQ's including non-occupation/abandonment) and another two NTQs have been served for unauthorised occupation of a Council dwelling "trespassing".

For 20-21 up to 30th September 2020 no further sub-letting cases identified for this period. We have served a total of 14 notices to quit during this period; 10 were served on the basis that the tenant had abandoned their property without giving notice to end their tenancy and the remaining 4 were served on the basis that the tenants concerned were identified as not occupying their properties as their main and only home. In all 14 cases the tenancies were ended on the expiry of the notice to quit without recourse to court proceedings.

The current work on the tenancy verification service project will inform both the fraud risk assessment and the tenancy fraud policy refresh.

The data matching exercise across the Council's housing stock has been completed and officers are starting to work through reported matches. The service aims to identify housing fraud such as sub-letting. High risk cases were identified and reviewed; we are arranging further training for staff before we can move forward any further. As well as potential fraud the data matching has highlighted some data errors and these are being corrected.

10 NFI – National Fraud Initiative

- 10.1 The Council continues to be engaged with the National Fraud Initiative (NFI) which involves national data matching using a range of Council data sources including payroll, benefits, creditors, housing, and licences, insurance. Files were uploaded in October 2020 for the main scheme. Council Tax and Electoral roll data is being uploaded in December as is grants data.

11. Grants

- 11.1 The government has provided a range of grants to support business during the pandemic.

There were a number of control checks undertaken on applications before payment in line with government guidance. There were a very small number of fraud cases, fraud attempts as well as some errors.

Small Business:

1180 payments totalling £11,775,000.

One suspected fraud case value £10K;

There are 3 x businesses with outstanding overpayments totalling £12K due to payment error.

Retail Under £15k RV

253 payments totalling £2,505,000

Two grants were repaid due to State aid limits being reached.

Two fraud attempts value £20K

Retail Over £15k RV

283 payments totalling £7,045,000

One grant repaid due to State aid limits being reached.

Discretionary

126 payments totalling £1,174,500.00

12. Fraud Strategy and Policy Review

- 12.1 A revised Money Laundering Policy was updated in December 2018. The Counter Fraud Policy / Strategy was also updated, taking account of new CIPFA and DCLG Government guidance and again was reviewed in December 2018. The strategy will be reviewed again in 2021.

The Council's Anti-Bribery Policy was reviewed in December 2019.

The Whistleblowing Policy was updated and was presented to the Audit Committee in September 2020.

The Benefit / CTS fraud, sanctions and prosecutions policy was approved by the Executive in 2018.

13. Whistleblowing

- 13.1 During 2020/21, so far we have had 16 whistleblowing reports
These were in relation to:

9 HB/CTS
3 Housing
1 Business rates
1 Council Tax
2 Other

During 2019/20, we have had 13 whistleblowing reports

These were in relation to:

5 x HB
4 x Council Tax
2 x Housing
2 x Health and Safety

14. Fraud Awareness

- 14.1 Our fraud awareness e-learning has previously been successful with a high percentage of staff taking part. We will continue with further training during 20/21 and 21/22

15. Fraud Risk Register

15.1 The Fraud Risk Register was updated in December 2019 and will be updated again in quarter 4 2020/2021. We gather intelligence throughout the year to inform this and it allows us to focus on our proactive work priorities. Fraud risks may change due to Brexit which will be taken into account.

16. Strategic Priorities

16.1 High performing services

The internal audit service and plan contributes to the Council's strategic priorities, by helping to manage risk and achieve its objectives.

17. Organisational Impacts

17.1 Finance (including whole life costs where applicable)

There are no direct implications

17.2 Legal Implications including Procurement Rules

There are no direct implications.

18. Recommendation

18.1 The Committee is asked to consider and comment on the half year fraud and error report.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? One

List of Background Papers: None

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