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| SUBJECT: | FRAUD AND ERROR REPORT 2020/21 |
| DIRECTORATE: | CHIEF EXECUTIVE & TOWN CLERK |
| REPORT AUTHOR: | JOHN SCOTT, AUDIT MANAGER |

1. Purpose of Report

- 1.1 To receive the Fraud and Error annual report.

2. Background

- 2.1 The Audit Committee receive a half-year and year-end fraud and error report. This is linked to its terms of reference linked to Counter Fraud 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 counter fraud activity completed in 20-21.

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 within the report.

5 Housing benefit/Council tax support

- 5.1 For 2020/21 the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) was 8 (Lincoln).

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.

There has been one prosecution and two administrative penalties issued totalling £10401.

- 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. Audit Committee are monitoring the implementation of agreed actions.

Security risks are managed through a new ICT risk register and associated projects. Updated IT security policy/policies are scheduled for completion in 21-22. Cyber resilience is now on the Council's strategic risk register.

IT Disaster recovery was a significant governance issue on the AGS (Annual Governance Statement) and this is being monitored through the Audit Committee. Completion of work in this area and updated recovery plans are scheduled for 21-22.

Reminders to staff are sent periodically around cyber fraud and cyber-crime. Phishing and malware activity are closely monitored and trends identified and acted upon. IT security awareness training for staff was delayed due to Covid and is planned for 21-22. Information is shared between regional and national cyber security teams. This allows us to build our knowledge of the cyber fraud threat.

Scam awareness initiatives helps to inform staff, the public and partners in relation to cyber-crime and scams.

CoLC is 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.

New software vulnerabilities are identified regularly, and 'zero-day' exploits of these are difficult to guard against. The Council is looking at new technologies to counteract these threats, but it is also known that no prevention measures will ever fully protect against the threat.

7 NNDR

- 7.1 The NNDR team continue with proactive checks on planning lists and utilising the Visiting Officer capacity within the team. - however, the Visiting Officer was understandably unable to visit for several months during the COVID pandemic. There are regular reviews of reliefs including Small Business Rate relief, Charity relief, Other discretionary relief.

For 2020/21 and continuing into 21-22, Small Business Rates Relief (SBRR) is being reviewed through a third-party company, 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.

During the COVID grant period the Council identified a small number of persons/companies that were attempting to claim they occupied an empty property (in order to claim grant), which were found to be fraudulent and this information was shared through with the National Anti-Fraud Network

8 Council Tax – SPD (Single Person Discount) / Empty Properties

- 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 was postponed until April – August 2021 and is currently underway. A further rolling review is being considered. The last review saw 566 SPD's removed.

Officers are hoping to undertake an empty property review in 2021. These are usually every two years but 2020 was delayed by Covid.

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 2020-21 there were 18 notice to quit issued. There were 13 for abandonment; one trespass case (ongoing); 4 were served on the basis that the tenants concerned were identified as not occupying their properties as their main and only home. 17 tenancies have been ended without recourse to legal proceedings.

Work has been undertaken on a tenancy verification service project. As well as potential fraud the data matching highlighted some data errors and these were corrected. The project will now be brought to a conclusion and more detail will be provided in the 21-22 fraud and error sixth month update report

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 was uploaded in December as was initial grants data. Rather than use the Council Tax and Electoral roll NFI matches a separate Council Tax SPD exercise is taking place now in 2021/22

NFI results so far (June 2021)

- Processed: 152
- Investigated: 13
- Cleared: 146
- Frauds: 0
- Errors: 6
- Total outcomes: £6,925.75
- Recovering: 5
- Recovering: £6,750.45

The errors relate to HB/CTS

11. Covid 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 small number of fraud cases, fraud attempts identified as well as some errors.

There were two suspected fraud cases on the small business grant - these have now repaid and a further suspected fraudulent application which was not paid.

On more recent grants a fraudulent claimant made applications on two business properties without the knowledge of the rate payer. No grant payment was made as the claim was ineligible. The case investigated by Natis and information provided. A further fraudulent application was received, rejected and referred to the National Anti-Fraud Network.

There were a further six cases where persons had attempted to become the eligible ratepayer in order to claim grant. These were challenged successfully and reported.

Initial matches on NFI (National Fraud Initiative) did not identify any issues.

Further fraud cases may arise as further post assurance work is completed.

12. Fraud Strategy and Policy Review

- 12.1 A revised Anti-Money Laundering Policy was updated in March 2021. Completion of the updated money laundering risk assessment is being completed in 21-22.

The Counter Fraud Policy / Strategy (2018) will be reviewed again in July 2021 against new guidance including an action plan for 21-22.

The Council's Anti-Bribery Policy was reviewed in December 2019. Review again December 2021.

The Whistleblowing Policy was updated and was presented to the Audit Committee in September 2020. Further communication / awareness will take place in 2021.

The Benefit / CTS fraud, sanctions and prosecutions policy was approved by the Executive in 2018. Under review in 2021/22.

13. Whistleblowing

- 13.1 During 2020/21, we have had 18 whistleblowing reports

These were in relation to:

11 HB/CTS
2 HB/CTS and Housing
1 Housing
1 Business rates
1 Council Tax
1 Data query
1 Covid breach

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 / Scam awareness

- 14.1 Our fraud awareness e-learning has previously been successful with a high percentage of staff taking part. Training did not take place in 20-21 and a new e-learning presentation will be developed and offered during 21/22 to members and staff

- 14.2. We continue to engage with our scam awareness programme and worked alongside partners during the pandemic to issue Covid related scam warnings. This continues into 21-22 where we are supporting a campaign with Citizens Advice in June 21 to help make people aware of how to spot a scam and know what to do if they fall victim.

15. Fraud Risk Register

15.1 The Fraud Risk Register was updated in February 2021 and will be updated again in quarter 4 2021/2022. The fraud risk register helps to inform the annual fraud action plan.

16 Other fraud / fraud attempts

16.1 There was one case of attempted refund fraud where an NDR account was set up to make fraudulent payments. This was not repaid and chargeback was subsequently received.

16.2. One case of attempted supplier bank mandate fraud (an attempt was made to change a Council supplier's bank details). This was detected and prevented.

17. Strategic Priorities

17.1 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.

18. Organisational Impacts

18.1 Finance (including whole life costs where applicable)

There are no direct implications

18.2 Legal Implications including Procurement Rules

There are no direct implications.

19. Recommendation

19.1 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? None

List of Background Papers: None

Lead Officer: John Scott, Audit Manager
Telephone (01522) 873321