

Counter Fraud

2021/22 Annual Report



For all your assurance needs



Introduction

The purpose of the Annual Report is to provide assurance to the Audit Committee on the effectiveness of the Council's arrangements in countering fraud and corruption.

The report also informs the committee of performance against the 2021/22 Counter Fraud Work Plan and the Counter Fraud Strategy and the outcomes of pro-active fraud work and investigations.

The Council's Policy Statement:

The Council is opposed to any form of fraud or malpractice. The Council is committed to operating in an open and honest way in order to:-

- *Prevent, deter and detect fraud and malpractice*
- *Allow scrutiny and investigation to take place, both internally and externally*
- *Allow rigorous enforcement to take place; and*
- *Reinforce good practice and prevent reoccurrence*

Overview of Cases

During 2021/22 the Council has experienced the following number of cases:-

	Cases 2021/22	Cases 2020/21	Change
Referrals to the Single Fraud Investigation Service – DWP	7	8	↓
Tenancy – Notices to Quit issued (For potentially fraudulent reasons e.g. Abandonment, trespass, not main/only home)	19	18	↑
Covid Business Grants	4	9	↓
Whistleblowing	23	18	↑
NFI – HB/CTR matches:- Processed	404	152	↑
Fraud	0	0	↑
Errors	27	6	↑
Single Person Discounts Removed	514	566	↓

Work Completed / In Progress

The Council undertakes a number of Counter Fraud activities throughout the year, both on it's own and through the Lincolnshire Councils Fraud Partnership (LCFP). The following sets out the work completed during the year and progress made against items included on the 2021/22 Action Plan (*):-

Work completed in 2021/22:-

- ✓ Single Person Discount Bulk Review*
- ✓ Joint working with the Citizens Advice Bureau during scam awareness week.
- ✓ Fraud Risk Register Updated in February 2022*
- ✓ Fraud Policy Updates – Bribery completed in December 2021*
- ✓ Sharing scam warnings and Fraud intelligence alerts with relevant staff within the Council*
- ✓ Ongoing sharing of counter fraud guidance and best practice*
- ✓ Business Rates avoidance – Small Business Rate Relief checks through a third party*
- ✓ ICT Risk register completed to include cyber crime
- ✓ National Fraud Initiative*
- ✓ 2021/22 Annual Fraud Report
- ✓ Whistleblowing referrals/communication*
- ✓ Council Tax empty property review*
- ✓ Housing Tenancy Fraud - Tenancy Verification Project*
- ✓ LCFP preparation of briefings and updates for the Lincolnshire Finance Officers Group*

Work in progress:-

- ⌚ Covid 19 Grants fraud cases and post assurance* – some post assurance work completed and returns made and will continue into 2022/23 so added to the 2022/23 Action Plan.
- ⌚ Fraud Training – working with the Lincolnshire Counter Fraud Partnership to produce a revised e-learning package for Members and staff* – training package complete and currently being reviewed to make more District/City relevant, to complete in 2022/23, added to the 2022/23 Action Plan
- ⌚ Housing Tenancy Fraud – Fraud strategy* - to complete in 2022/23, added to the 2022/23 action plan.
- ⌚ Tenancy Counter Fraud Work* - this work forms part of the regular work of the service.
- ⌚ Cybercrime* - work has been undertaken in this area and will continue to be undertaken forming part of the regular work of the service.

Work Completed / In Progress

- ⌚ Money Laundering Risk Assessment* - started and will be completed in 2022/23, added to the 2022/23 action plan.
- ⌚ Business Rates avoidance – Small Business Rate Relief checks through a third party* - ongoing to be completed in 2022/23, added to the 2022/23 action plan.

Actions on the 2021/22 Action plan not started:-

- ☒ Single Person Discount Rolling Review* – put on hold due to procurement capacity at Lincolnshire County Council and capacity within District Revenues & Benefits Teams, added to the 2022/23 Action Plan
- ☒ LCFP Joined up Communications approach/Fraud awareness working group* - this was delayed due to other priorities of the partnership
- ☒ LCFP Fraud Risks register development and identifying/sharing top five risks* - this was delayed due to other priorities of the partnership
- ☒ LCFP Housing Tenancy Fraud – fraud awareness, counter fraud and fraud strategy* - this was delayed due to other priorities of the partnership
- ☒ Fraud Benchmarking across the LCFP* – not undertaken and not a priority for the LCFP.
- ☒ Compliance with the Strategy* - a review has not been undertaken on this specifically, added to the 2022/23 Action Plan

Summary Counter Fraud Action Plan 2022/23:-

There are a number of activities included above and on previous action plans which each service area will complete on a regular basis as normal business such as responding to Whistleblowing referrals, sharing intelligence, Tenancy Counter Fraud reviews and investigating potential fraud cases. We have revised the 2022/23 Counter Fraud Action Plan to just include additional activities and projects to be completed during the year. A summary of the action plan is included as follows:-

Ref	Activity	Target Date	Responsibility
1	LCFP Single Person Discount Rolling Review	Q2 start Q4 reporting	Lincolnshire Councils Fraud Partnership (LCFP) Head of Shared Revenues and Benefits
2	Covid Grants – Fraud Cases and Post Assurance	TBC	Head of Shared Revenues and Benefits Assistant Director – Major Developments Internal Audit Manager
3	Money Laundering Risk Assessment	Q2	Internal Audit Manager
4	Self Assessment against the Counter Fraud Strategy	Q4	Internal Audit Manager
5	Small Business Rate Relief checks through a third party	TBC	Head of Shared Revenues and Benefits

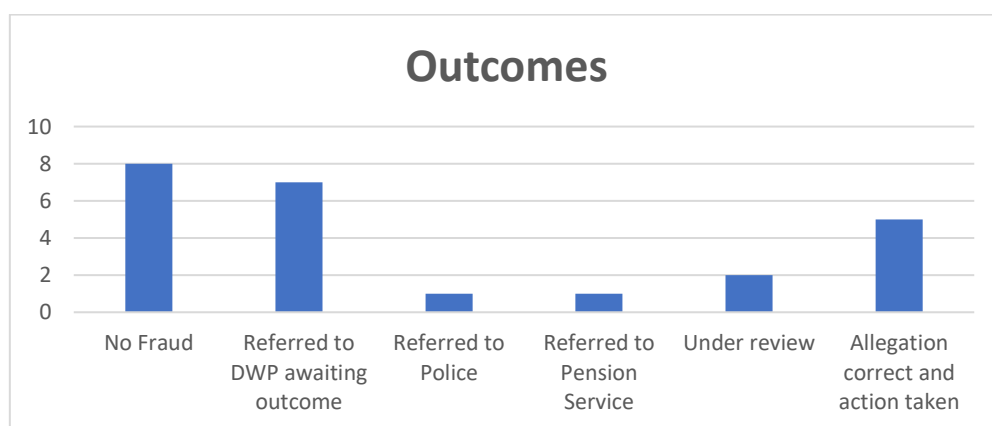
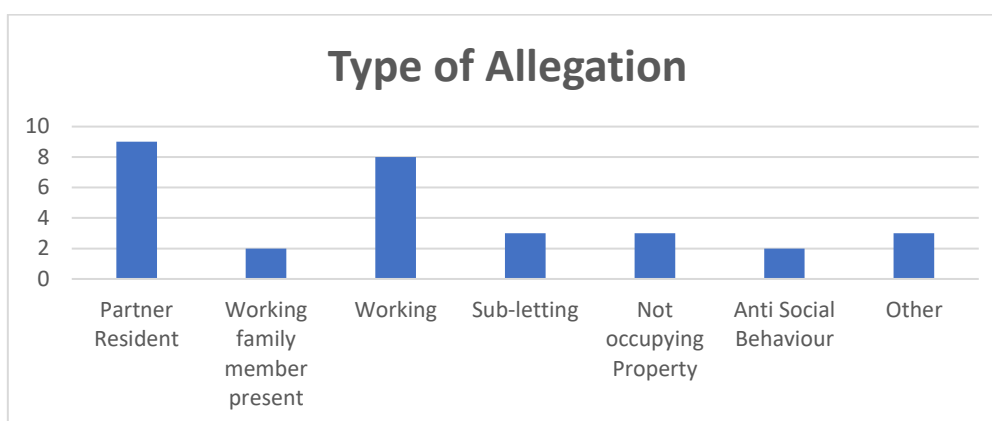
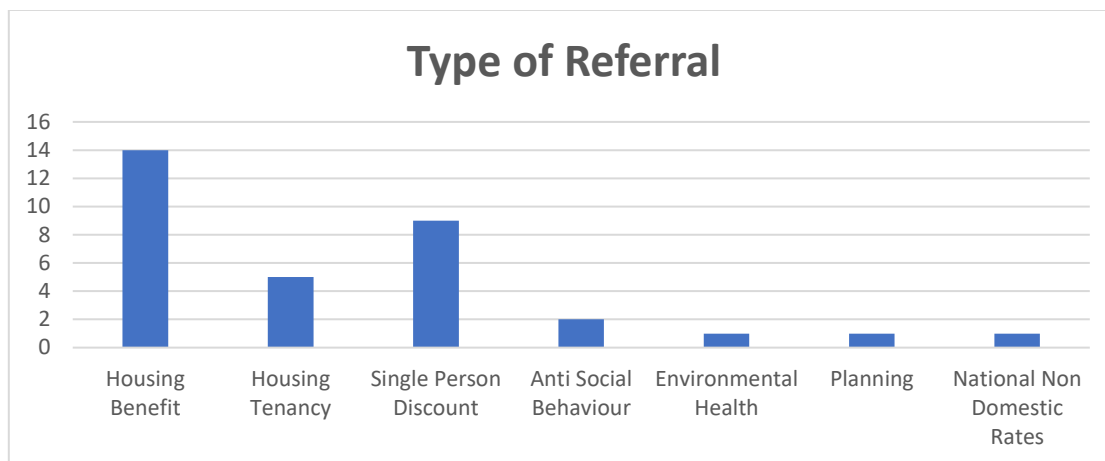
Work Completed / In Progress

6	Housing Tenancy Fraud – Fraud strategy	TBC	Tenancy Services Manager
7	Roll out of Counter Fraud E-learning and review of Counter Fraud Training requirements throughout the Council.	Q4	Lincolnshire Councils Fraud Partnership (LCFP) Internal Audit Manager

Whistleblowing

The Council has a Whistleblowing line which is operated through Lincolnshire County Council. During 2021/22, we have had 23 whistleblowing reports.

These are analysed below. Note that each referral can contain multiple allegations covering different types so there are more than 23 cases recorded:-



Payment of Housing Benefit and Council Tax Support can be reliant on information provided from the DWP and Pensions Service. Where this is the case the Council pass over the information received through the Whistleblowing process but is unable to change the benefit paid until they receive updated information from the DWP.

National Fraud Initiative

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 2021 as was initial grants data. Rather than use the Council Tax and Electoral roll NFI matches a separate Council Tax SPD exercise has taken place for 2021/22, the results of which are reported later in this report.

NFI results for 2021/22 to date:-

Matches relating to Housing Benefit/Council Tax Support:-

	Number
Claims looked at (Processed)	404
Investigated	12
Cleared	404
Frauds	0
Errors	27
Total Financial Change	£54,221.89
Housing Benefit Claims where seeking recovery	26
Amount of Housing Benefit to recover	£39,351.16

Other Matches:-

Area	Number	Reviewed/Cleared	Outcome
Payroll	7	7	No issues
Housing	110	39	No issues. Remaining cases in progress of being reviewed
Duplicate Creditors	381	381	1 Duplicate

Cyber Crime and Cyber Security

Online fraud, also known as cyber-crime, covers all crimes that takes place online committed using computers, or assisted by online technology. The Council continues to place high importance on cyber security and has included it as an Amber risk within the Fraud Risk Register.

The Council faces multiple attacks each day which are prevented, detected, and neutralised by systems and software. Security measures are applied, kept under review, and audited regularly. The Council is also subject to Central Government compliance initiatives.

A number of actions are being taken to reduce the risks around cyber crime:-

- Security risks are managed through an ICT risk register and associated projects.
- IT security policies have been updated and approved. The E-Learning 'Cyber Ninjas' has been provided to all staff and Councillors and completion of this is being monitored.
- Cyber resilience is now on the Council's strategic risk register.
- 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.

An anti-malware internal audit was completed in 2019/20; this provided substantial assurance. Audit Committee are monitoring the implementation of agreed actions and there is now just one remaining action to be implemented.

IT Disaster recovery was a significant governance issue on the AGS (Annual Governance Statement) and this is being monitored through the Audit Committee. However, significant progress has been made, with more being worked on. Updated recovery plans are scheduled for 22/23.

Information is shared between regional and national cyber security teams. This allows us to build our knowledge of the cyber fraud threat and inform messages circulated to staff.

The Council is part of an LRF/MHCLG (Lincolnshire Resilience Forum/Ministry of Housing, Communities & Local Government) 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. This will also feed into the Disaster Recovery plan currently being worked on.

New software vulnerabilities are identified regularly, and 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.

Council Wide Fraud Activity

Housing Benefit / Council Tax Support

For 2021/22 the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for Lincoln was 7.

The low level of referrals is due to more customers moving from Housing Benefit to Universal Credit with the caseload dropping by nearly 47% since 2016/17 and by 10% since 2020/21 to 4,408. It is also affected by the continuation of proactive work around the:-

- National Fraud Initiative (NFI) - 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) – initiative asking Authorities 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) - a mechanism used to cross reference all Department for Work and Pensions' (DWP) benefits systems by data matching details against local authorities (LAs) systems with the purpose to support LAs to identify fraud and error.
- Housing Benefit Award Accuracy Initiative (HBAA) - requires 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.

There have not been any prosecutions or administrative penalties issued this year. The reduction is due to the DWP overpayment threshold and a reduction in the number of cases being investigated by the DWP through the pandemic as staff were redeployed. The fraud hotline was also closed during the pandemic only re-opening in April 2022.

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

The final SPD bulk review came to a close in October 2021 with the final figures expected to be confirmed in December 2022. The latest report from November 2021 shows 514 discounts being removed generating estimated revenue of £212,477. The largest removal value was £2,791 and the oldest dated back to December 2015.

During the year a review of empty properties was undertaken, a total of 199 properties were found to now be occupied.

NNDR

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, and other discretionary relief.

For 2021/22 and continuing into 2022/23, 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.

Housing Tenancy

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

For 2021-22 there were 19 notice to quits issued. For non-occupation of a council dwelling and all have been ended without recourse to legal proceedings.

The potential fraud data match exercise has been completed with the majority of cases only requiring an administrative change to the household details of the property.

Covid Grants

The Council has continued to administer the Government funded grants to support business during 2021-2022. All these grants have been administered in line with Government Guidance and assurance processes [COVID-19 business grant funding schemes: guidance for local authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/covid-19-business-grant-funding-schemes-guidance-for-local-authorities)

There have been two grants paid in 21/22 that are currently subject to recovery procedures due to having been identified post assurance as not compliant with the eligibility requirements, and 2 cases of fraudulent claims that were detected pre payment and referred to National Anti-Fraud Office.

Government have requested all details of a COVID-19 business grants fraud and error data be reported to them by June 2022. This is a new data collection covering fraud and error data from all grant schemes from their start dates to 31 March 2022.

Payroll and Human Resources

There have not been any incidents identified of fraud or error within the service this year. Within Payroll one of the checks carried out ensures that changes to bank details for staff are validated with them prior to payments being made. The system also has a built in control whereby an automatic email is sent to both parties when the bank details are changed on the system by the employee enabling fraudulent attempts to be identified.

Other fraud / fraud attempts

There have not been any frauds identified within remaining Amber areas within the Fraud Risk Register including procurement, elections and creditors.