

Counter Fraud

2022/23 Annual Report



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 2022/23 Counter Fraud Work Plan and the Counter Fraud Strategy, the outcomes of pro-active fraud work and investigations and the current Fraud Risk Register.






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 2022/23 the Council has experienced the following number of cases:-

	Cases 2022/23	Cases 2021/22	Change
Referrals to the Single Fraud Investigation Service – DWP	5	9	
Tenancy – Notices to Quit issued (For potentially fraudulent reasons e.g. Abandonment, trespass, not main/only home)	15	19	
Whistleblowing	22	23	
NFI – HB/CTR matches:- Received Processed Fraud Errors	622 7 0 0	322 322 0 27	
Single Person Discounts Removed	0	514	

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 progress made against items included on the 2022/23 Action Plan:-

Ref	Activity	Target Date	Responsibility	Current Position
1	LCFP Single Person Discount Rolling Review	Q2 start Q4 reporting	Lincolnshire Councils Fraud Partnership (LCFP) Head of Shared Revenues and Benefits	This has been delayed mainly due to prioritising the energy rebate scheme. Work is now progressing on the Countywide scheme with the LCC legal team looking over the contract and the data protection policies etc before it can go live.
2	Covid Grants – Fraud Cases and Post Assurance	Q1 start	Head of Shared Revenues and Benefits Assistant Director – Major Developments Internal Audit Manager	Complete – All erroneous grants identified and where eligible passed to DLUHC for recovery.
3	Money Laundering Risk Assessment	Q2	Internal Audit Manager	Due to other priorities this has not been completed and has been removed from the plan due to low risk.
4	Self Assessment against the Counter Fraud Strategy	Q4	Internal Audit Manager	Due to other priorities this has not yet been completed. To be moved to the plan for 2023/24.
5	Small Business Rate Relief checks through a third party	Q1 start	Head of Shared Revenues and Benefits	Complete - Small Business Rates Relief (SBRR) continues to be reviewed through a third-party company. To decide whether to continue to sign up for the review as fewer Councils are signing up making the process less useful.
6	Housing Tenancy Fraud – Fraud strategy	N/A	Tenancy Services Manager	No longer required – covered within other policies.
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	Information now received from the LCFP and will be progressed during 2023/24.

Work Completed / In Progress

In addition to the work on the Action plan we have also carried out the following:-

- ✓ Updated the Whistleblowing Policy
- ✓ Updated the Money Laundering Policy
- ✓ Submitted the data for the National Fraud Initiative
- ✓ Administered the whistleblowing referrals and investigations
- ✓ Completed an internal Council Tax Empty Homes review
- ✓ Rolling review of the small business rate relief through a third party
- ✓ Administered the Council Tax Energy Rebate Schemes

Further information on the cases and work completed is included in the following sections.

Work in progress in addition to that on the Action Plan:-

- The work undertaken as part of the Energy Rebate scheme has identified a number of properties which were in fact occupied and others where partners were resident but the Council had not been informed.
- Reviewing the matches from the 2022 NFI and recording results.

Summary Counter Fraud Action Plan 2023/24:-

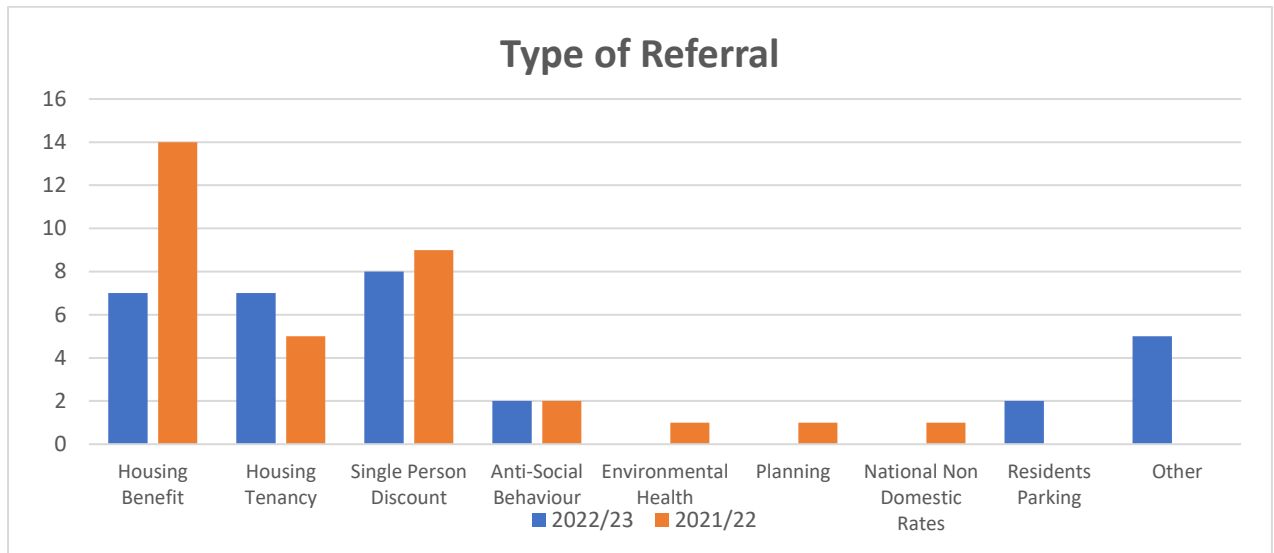
There are a number of activities which each service area will complete on a regular basis as normal business such as responding to Whistleblowing referrals, sharing intelligence, Tenancy Counter Fraud reviews and investigating potential fraud cases, these are not included on the Action Plan itself. The 2023/24 Counter Fraud Action Plan includes 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	Self Assessment against the Counter Fraud Strategy	Q4	Internal Audit Manager
2	Refresh the Fraud Risk Register	Q4	Internal Audit Manager
3	Single Person Discount Annual Review	Q2	Revenues and Benefits Manager
4	Fraud Training for Officers and Members	Q4	Internal Audit Manager
5	Single Person Discount Rolling Review	Q4	Revenues and Benefits Manager

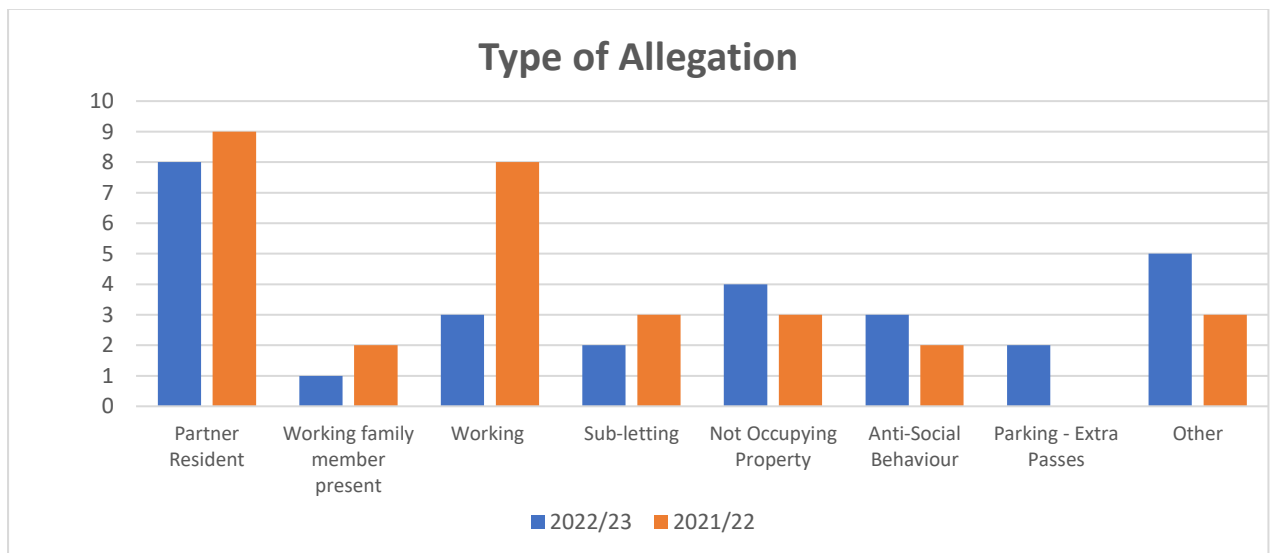
Whistleblowing

The Council has a Whistleblowing line which is operated through Lincolnshire County Council and also receives Whistleblowing referrals directly. During 2022/23, we have had 22 whistleblowing reports which is one less than 2021/22.

These are analysed below. Note that each referral can contain multiple allegations covering different types so there are more than 22 cases recorded:-

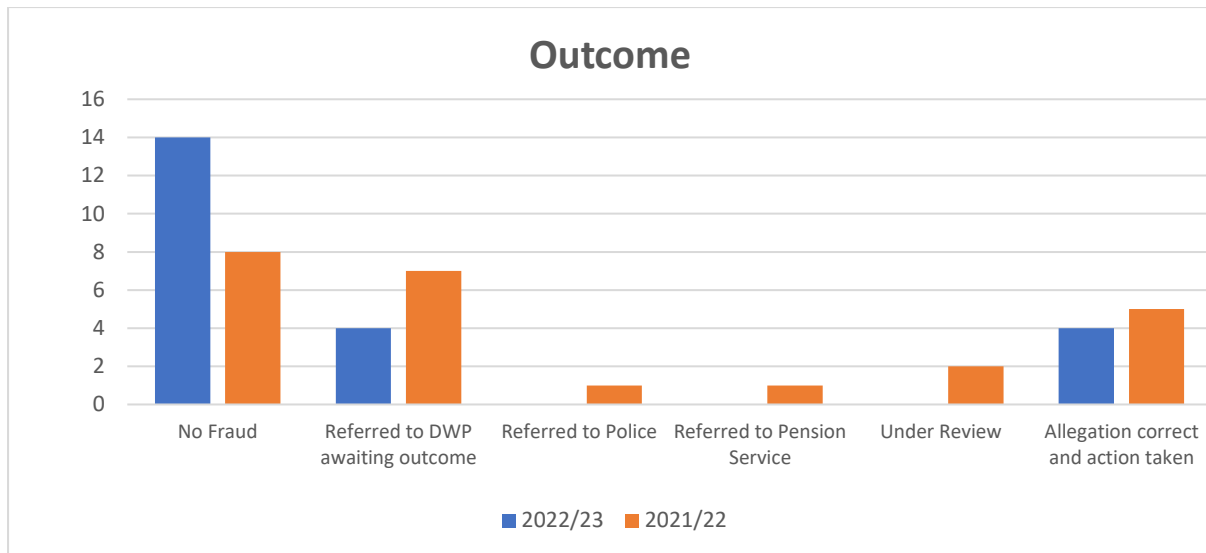


The main changes in referrals between years are the reduction in number of cases concerning Housing benefit which has reduced by 50% and the increase in residents parking other cases which are more unique/specific.



There has been a change in the type of allegations moving away from claiming and working to residents parking and other more unique allegations.

Whistleblowing



The change in the type of referral and allegation has meant that there are fewer cases referred to other bodies and more resolved in-house. Most of the cases have been reviewed and resulted in no fraud being identified. There were however four cases where corrective action was taken as follows:-

- A tenant not living at the address was formally evicted and overpaid benefit of £67.98 is being re-claimed.
- Housing Benefit claimant no longer living at the address stated had their Housing Benefit cancelled and £400.50 claimed back.
- Single person discount was removed from an account and £264.72 recovered on account.
- Took back possession of a property which had been abandoned.

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.

The matches for 2020/21 have now been reviewed resulting in savings of £39,351 in Housing Benefit/Council Tax Support. Recovery is currently underway for £39,076 of Housing Benefit overpayments. There was one duplicate creditor payment of £7,461 which we were looking to recover but as the company is in liquidation it is now being considered for write-off. A breakdown of the results is shown in the following tables.

Files were uploaded in October and December 2022 for the 2022/23 run with results published in early 2023. The current position for these is shown in the following tables.

NFI results for 2021/22 and 2022/23 to date:-

Matches relating to Housing Benefit/Council Tax Support:-

	Total 2020/21	To 30/04/23 2022/23
Total Matches	332	622
Investigating	0	1
Cleared	332	7
Frauds	0	0
Errors	27	0
Total Savings	£39,351	0
Housing Benefit Claims where seeking recovery	25	0
Amount of Housing Benefit to recover	£39,076	0

Other Matches:-

2021/22

Area	Number	Over-payments	Seeking recovery
Payroll	18	0	0
Housing	345	0	0
Creditors	541	£7,461	£7,461
Grants	17	0	0

2022/23

Area	Number	Investigating	Cleared	Fraud/Error	Over-payments	Seeking recovery
Payroll	20	0	8	0	0	0
Housing	505	0	0	0	0	0
Creditors	454	0	0	0	0	0
Residents Parking	4	0	4	0	0	0

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.

IT Disaster recovery was a significant governance issue on the AGS (Annual Governance Statement) and this is being monitored through the Audit Committee. Significant progress has been made, with a draft plan now in place which has been subject to Internal Audit Review and gained Substantial Assurance. Work is underway to consider the points raised and submit a final plan to management for approval.

Whilst the Authority is continually vigilant in responding to the ongoing and increasing Cyber threat, there is a constant threat ranging from opportunists to organised crime, which look to exploit security vulnerabilities and potential fraud arising from security breaches.

The Authority has tools to guard against Cyber threats, and has also provided awareness training to staff and members on good Information Governance and Cyber Security.

The Council performs external annual assessments of vulnerabilities, reviews best practice and participates in regional and national initiatives to improve Cyber Security.

There have been no recorded events which have resulted in fraud arising from a Cyber attack. However, technology is often involved in any fraud due to the nature of the way information is stored, processed and transmitted.

Council Wide Fraud Activity

Housing Benefit / Council Tax Support

For 2022/23 the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for Lincoln was 5. There were less referrals made to SFIS (Single Fraud Investigation Service) due to the reduction in the HB caseload as well as us doing proactive work through initiatives such as NFI (National Fraud Initiative), VEP (Verifications of Earnings and Pensions), HBMS (Housing Benefit Matching Service) and HBAA (Housing Benefit Award Accuracy).

There have not been any prosecutions or administrative penalties issued this year.

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

The final SPD bulk review came to a close in October 2022 with the final figures confirmed in December 2022. There were 514 discounts removed generating estimated revenue of £212,477. The largest removal value was £2,791 and the oldest dated back to December 2015.

We have not undertaken a single person discount review during 2022/23 as due to the energy rebate this took over the majority of resources for about 6 months and we were looking at carrying out a rolling review. The rolling review project remains in progress, currently being at the governance stage. In the interim an internal review will be undertaken in early 2023/24.

During the year an internal review of empty properties was undertaken. As many had already been identified during the administration of the energy rebate scheme there were only a few additional properties identified. A new premium is being considered for 2025/26 for properties which have been empty for over 12 months.

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.

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 2022-23 there were 15 notices 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

There were 97 covid grant invoices issued for the recovery of grants paid in 21/22 due to having been identified post assurance as not compliant with the eligibility requirements. The amount overpaid due to error was £514,936, all but four grants have now been recovered with three of these being eligible for passing to DLUHC for recovery. DLUHC have paid the Council the value of the grants passed to them for recovery. The remaining one for £4617 was due to a system error.

Payroll and Human Resources

We have had one instance this year when an attempt was made to change the bank details of a member of staff. This was picked up before it was processed, the email received contained a number of issues which were picked up by staff. 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.

Elections

Photographic Voter ID was introduced by the Government for the May 2023 elections. This led to 32 people being unable to vote as they did not provide an

accepted form of photographic ID required at the polling station. 57 were initially turned away but 25 of these returned with the relevant photographic ID

Other fraud / fraud attempts

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

Fraud Risk Register

The Fraud Risk Register has had an interim refresh this year looking at the mitigating actions, duplicated risks and updating the assurance levels. A full refresh will be completed in 2023/24 where a detailed review of the risks will be completed alongside an audit of some of the mitigating actions to ensure they are in place.

As part of the review there has been a slight reduction in the number of risks from 27 to 24. The changes are detailed in the table below:-

Risk	Add/Remove	Reason
Grants (Housing, Economic Support, Covid)	Removed	Split up into separate risks to reflect different risk scores.
Grants Paid – Housing (DFG, L/L)	Added	Previously part of grants, separated out.
Grants third Sector	Added	Previously part of grants, separated out.
Grants Received – Accountable body for passported funds to others (UKSPF / Towns Fund)	Added	Reflects risk around passported grants.
Refund	Removed	Amalgamated into the other risks
Bribery and Corruption	Removed	Amalgamated into the other risks
Scams	Removed	Amalgamated into the other risks
Identity Fraud	Removed	Amalgamated into the other risks
Fraud	Removed	Amalgamated into the other risks

The current risks and risk levels are:-

Risk No	Title	Rating	Likelihood	Impact
1	Contract Management	Green	Hardly Ever	Minor
2	Procurement	Amber	Hardly Ever	Major
3	Creditor Payments	Amber	Hardly Ever	Major
4	Income Collection	Green	Hardly Ever	Minor
5	Debt Management	Green	Hardly Ever	Minor
6	Money Laundering	Green	Hardly Ever	Negligible
7	BACS/Cheques	Green	Hardly Ever	Minor
8	Payroll / employees	Green	Hardly Ever	Negligible
9	Treasury Management / Investment Fraud	Amber	Hardly ever	Major
10	Property, land, equipment	Amber	Hardly Ever	Major
11	Grants Received – passported funds	Amber	Possible	Minor
12	Grants Paid - Housing	Amber	Possible	Minor
13	Grants Paid – Third Sector	Green	Hardly Ever	Minor

Fraud Risk Register

Risk No	Title	Rating	Likelihood	Impact
14	False Accounting	Green	Hardly Ever	Minor
15	IT / Data / Cyber fraud	Amber	Possible	Critical
16	Insurance	Green	Hardly Ever	Minor
17	Council Tax	Amber	Probable	Minor
18	Business Rates	Green	Hardly Ever	Minor
19	Council Tax Support Scheme	Amber	Possible	Minor
20	Housing Benefit	Amber	Possible	Minor
21	Housing	Amber	Possible	Minor
22	Development Management	Green	Hardly Ever	Minor
23	Theft / Asset Misuse	Green	Possible	Negligible
24	Election Fraud	Amber	Hardly Ever	Major

There have been no changes to the risk scores since last year. Mitigations are in place for all risks. Some of the main mitigations for the two highest risks are:-

15 – IT / Data / Cyber Fraud

- Cyber security refresher training in place – Jan 2023 and future training planned in.
- Annual data protection training for all staff and Members and training on induction carried out for all staff and Members.
- IT security policy and security standard in place and on Net Consent
- Access control standard in place and on net consent
- Member usage agreement in place and on net consent,
- Information Governance Policies in place and on net consent
- Software controls including restriction on access.
- Asset registers include IT equipment
- IT Risk Register

17 – Council Tax

- Whistleblowing arrangements report cases of Single Person Discount (SPD) and other exemptions
- National Fraud Initiative includes reports on SPD
- SPD annual reviews carried out through the Lincolnshire Counter Fraud Partnership – last 2020/21
- Property inspections undertaken