

Counter Fraud

2023/24 Six Monthly Update



Introduction

The purpose of the Report is to provide the Audit Committee with a half year update on the number of cases related to fraud and work undertaken in respect of fraud so far.

The report also informs the committee of performance so far against the 2023/24 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations to date.

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

The table below summarises the cases to date against the full year figures for 2022/23:-

| | Cases to Oct 2023 | Cases 2022/23 |
|---|-------------------|---------------|
| Referrals to the Single Fraud Investigation Service – DWP | 1 | 5 |
| Tenancy – Notices to Quit issued (For potentially fraudulent reasons e.g. Abandonment, trespass, not main/only home) | 8 | 15 |
| Whistleblowing | 5 | 22 |
| NFI – HB/CTR matches:- | | |
| Received | 625 | 622 |
| Processed | 400 | 7 |
| Fraud | 0 | 0 |
| Errors | 13 | 0 |
| Single Person Discounts Removed | Not available* | 0 |

*working through the returns

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 Action Plan:-

| Ref | Activity | Target Date | Responsibility | Current Position |
|-----|--|-----------------------------------|--|---|
| 1 | Self Assessment against the Counter Fraud Strategy | Q4 | Internal Audit Manager | Not started |
| 2 | Refresh the Fraud Risk Register | Q4 | Internal Audit Manager | Not started |
| 3 | Single Person Discount Annual Review | Q2 | Revenues and Benefits Manager | A single person discount review was undertaken internally during July/August and reminders went into September (internally via a campaign on the NEC system). |
| 4 | Fraud Training for Officers and Members | Q4 | Internal Audit Manager / Chief Finance Officer | E-learning completed and made available to Officers and Members. Raised at Service Managers Team Forum to encourage completion. 563 members of staff (approx. 94%) have completed the training. Awaiting LCFP for face-to-face training for Members. |
| 5 | Single Person Discount Rolling Review | Q4 – Revised to Quarter 2 2024/25 | Revenues and Benefits Manager | Lincolnshire County Council no longer leading on this initiative. Officers currently assessing solutions with a view to implementing in 2024/25. |

Work in progress in addition to that on the Action Plan

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

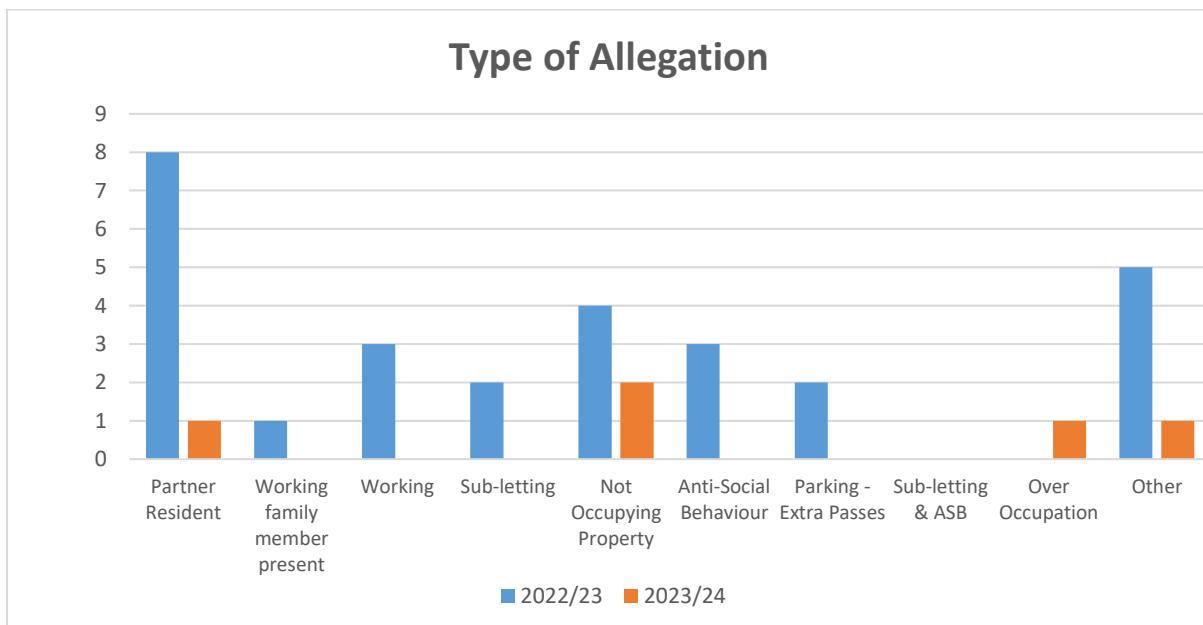
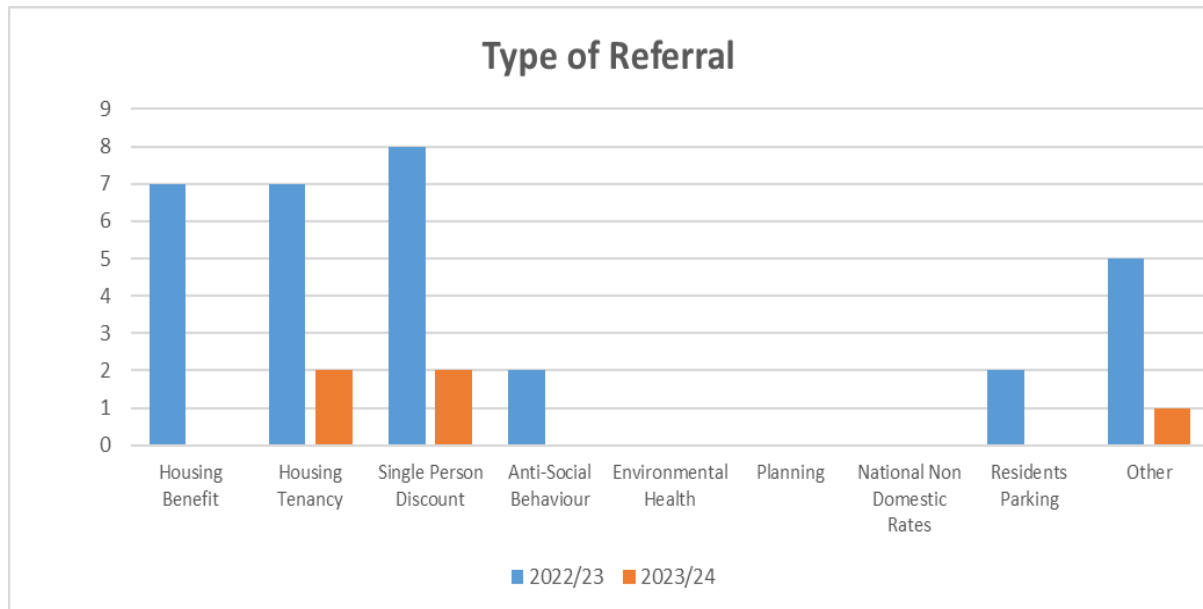
- ✓ Administered the whistleblowing referrals and investigations
- ✓ Reviewed and reported potential fraud cases referred to Internal Audit
- ✓ Rolling review of the small business rate relief through a third party
- ✓ Empty property review for Non Domestic Rates – being undertaken by Visiting Officer during 2023-24

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

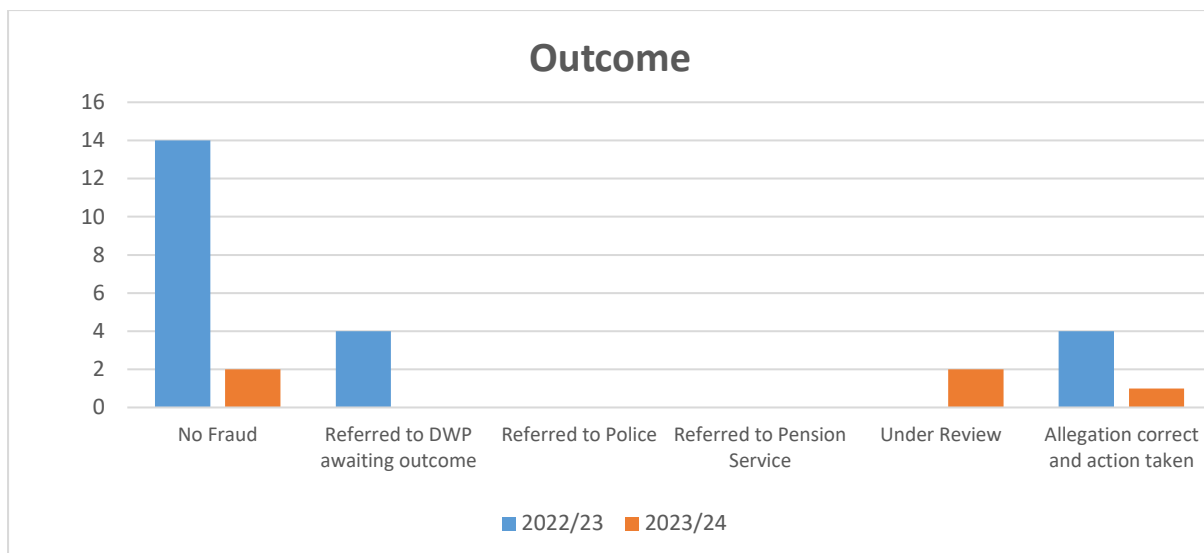
Whistleblowing

The Council has a Whistleblowing line which is operated through Lincolnshire County Council as well as an internal process for receiving Whistleblowing cases. So far during 2023/24 we have received 5 whistleblowing reports which is significantly lower than previous years. In 2022/23 we had received 17 at this point in the year.

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



Whistleblowing



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.

As there are a low number of cases it is difficult to carry out any meaningful comparison.

The case where corrective action has been taken has resulted in Council Tax single person discount being removed.

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, electoral role, housing and licences.

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 the 2020/21 and 2022/23 exercises to date:-

Matches relating to Housing Benefit/Council Tax Support:-

| | 2020/21 Total | 2022/23 To 27/10/23 |
|---|------------------|------------------------|
| Total Matches | 332 | 625 |
| Investigating | 0 | 6 |
| Cleared | 332 | 400 |
| Frauds | 0 | 0 |
| Errors | 27 | 13 |
| Total Savings | £39,351 | £23,095 |
| Housing Benefit Claims where seeking recovery | 25 | 13 |
| Amount of Housing Benefit to recover | £39,076 | £16,534 |

Other Matches:-

2020/21

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

*The debt has been written off as the supplier no longer exists

2022/23

| Area | Number | Investigating | Cleared | Fraud/Error | Over-payments | Seeking recovery |
|-------------------|--------|---------------|---------|-------------|---------------|------------------|
| Payroll | 20 | 0 | 8 | 0 | 0 | 0 |
| Housing | 504 | 0 | 0 | 0 | 0 | 0 |
| Creditors | 454 | 0 | 0 | 0 | 0 | 0 |
| Residents Parking | 4 | 0 | 4 | 0 | 0 | 0 |

Online fraud, also known as cyber-crime, covers all crimes that takes place online committed using computers, or assisted by online technology. A recent ransomware incident at a Council in Scotland caused significant disruption to IT systems. In a ransomware attack, hackers use malicious software to scramble and steal data.

The Council continues to place high importance on cyber security and has included it as Red risk within the Strategic Risk register. It is also included within the Fraud Risk Register alongside IT and data as an Amber risk.

The council uses training provided by an external provider (Cyber Ninja's) which is accredited by the National Cyber Security Centre (NCSC) and covers both data protection and cyber security training. The training completion levels for 2022 were 85%. A rate of 100% completion of training is not achievable as the staff list is constantly changing and as staff leave and new staff join the percentage rate will go down until the training is completed. There are also those unable to carry out the training as on long term leave.

Cyber security training is undertaken annually and this year the council have obtained updated training which includes new modules on ransomware, phishing and e-mail use. The 2023 training is being rolled out to staff in December and is already available as part of the induction training for new starters. There is a separate package for members 'Cyber Ninja's for Councillors' and members are being offered face to face training to go through the package in February 2024.

Whilst the Council is continually subject to cyber attacks there have not been any incidents which have resulted in any loss of data or serious compromise.

Housing Benefit / Council Tax Support

So far this year the number of referrals to SFIS (Single Fraud Investigation Service – DWP) for Lincoln was 1. There have been no prosecutions or admin penalties issued.

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

We have undertaken a single person discount review internally in July-September 2023. The rolling review project let by Lincolnshire County Council was discontinued with the responsibility left with each District to implement a solution either on an individual or collective basis. Officers are currently considering options for 2024/25 onwards.

In August 2022, a Council Tax empty homes review was undertaken. From April 2024 the definition of Long Term Empty has been amended from 24 months to 12 months. Therefore a premium charge will apply to any properties that have been empty for more than 12 months from April 2024.

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) continues to be 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

So far during 2023-24 8 notice to quits have been issued for tenants abandoning their property. All have been ended without recourse to legal proceedings.

Right to buy data was submitted as part of the NFI and has resulted in over 250 matches. These have not yet been reviewed.

As part of a data matching exercise another Council contacted City of Lincoln Council to say that a tenant was showing as having a tenancy with both themselves and us. Further investigations including a visit to the property, found that the person

had actually vacated our property some years ago but their name had not been removed from the joint tenancy. No fraud was therefore found and the ex-tenant was removed from our tenancy via a signed deed of release.

Payroll and Human Resources

There have not been any incidents identified of fraud or error within the service this year. The NFI matches involving duplicate employment have all been reviewed and no issues identified.

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.

There has been one referral made to Lincoln Police and Action Fraud regarding the suspected use of stolen cards or stolen card information. There has not been any loss to the Council, the debt remains on the account and will be pursued as per the policies.