

# Counter Fraud

## 2023/24 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 2023/24 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 2023/24 the Council has experienced the following number of cases:-

	Cases 2023/24	Cases 2022/23	Change
Referrals to the Single Fraud Investigation Service – DWP	8	5	
Tenancy – Notices to Quit issued (For potentially fraudulent reasons e.g. Abandonment, trespass, not main/only home)	25	15	
Whistleblowing	11	22	
NFI – HB/CTR matches:- Received Processed Fraud Errors	757 744 0 26	622 7* 0 0	
Single Person Discounts Removed	282	0	
Other Fraud (Web payments & Fraudulent cheques)	36	N/A	New

\* Matches were not received until January 2023

## 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 2023/24 Action Plan:-

Ref	Activity	Target Date	Responsibility	Current Position
1	Self Assessment against the Counter Fraud Strategy	Q4 – Revised to 2024/25	Internal Audit Manager	Not started – Strategy has recently been revised and a check will be carried out during 2024/25.
2	Refresh the Fraud Risk Register	Q4	Internal Audit Manager	Completed an update but the refresh has been moved to 2024/25 due to capacity.
3	Single Person Discount Annual Review	Q2	Revenues and Benefits Manager	Completed - 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 – Revised to Q2 2024/25	Internal Audit Manager / Chief Finance Officer	Partially Complete - 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. Organising training for Members through Lincolnshire County Council provisional date July 2024.
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 Completed / In Progress

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

- ✓ Updated the Counter Fraud Policy and Strategy
- ✓ 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.

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

- Reviewing the matches from the 2022 NFI and recording results.

## Summary Counter Fraud Action Plan 2024/25:-

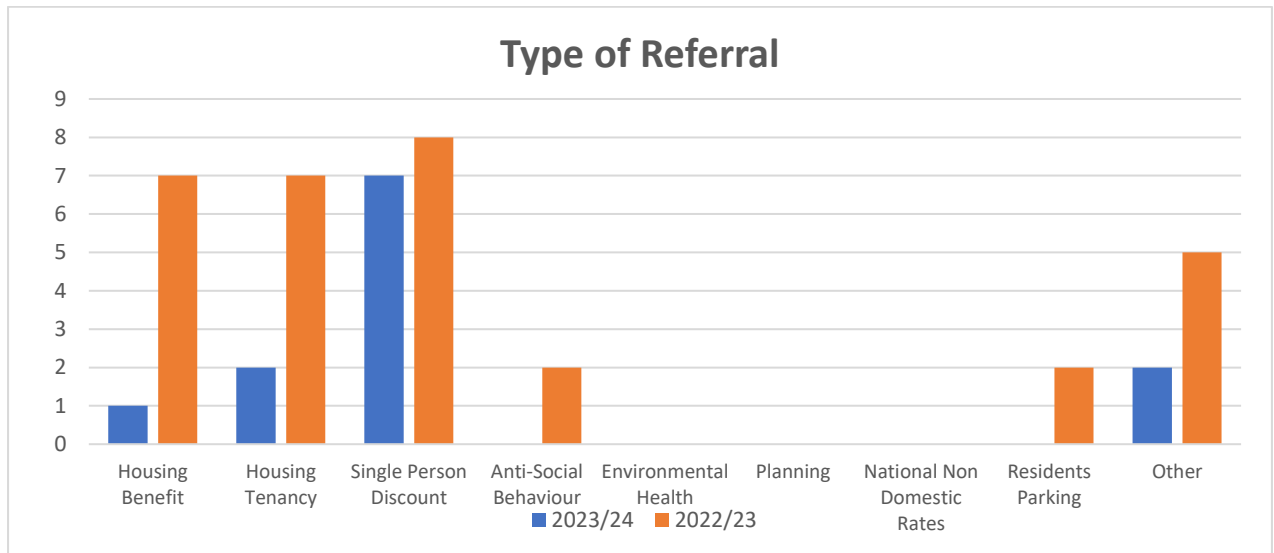
There are a number of activities which each service area will complete on a regular basis as normal business such as responding to Whistleblowing referrals, sharing intelligence, Tenancy Counter Fraud reviews and investigating potential fraud cases, these are not included on the Action Plan itself. The 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	Q3	Revenues and Benefits Manager
4	Fraud Training for Members	Q2	Internal Audit Manager/Lincolnshire County Council
5	Single Person Discount Rolling Review	Q2	Revenues and Benefits Manager
6	Raising awareness of scams and counter fraud with staff and Members	Q4	Internal Audit Manager
7	Raising awareness of scams and counter fraud with the community	Q4	Assistant Directors
8	Review the process for NFI including training, reviewing reports, results and responsibilities.	Q3	Internal Audit Manager and Corporate Leadership Team.
9	Revise/update the tenancy fraud policy, strategy and action plan.	Q4	Assistant Director - Housing

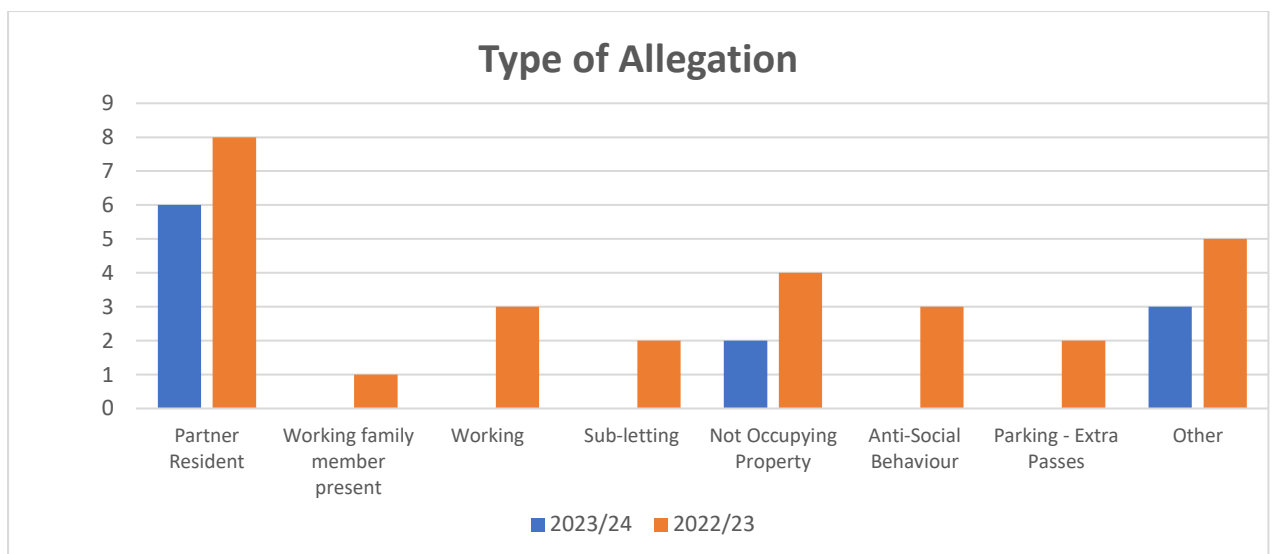
# Whistleblowing

The Council has a Whistleblowing line which is operated through Lincolnshire County Council and also receives Whistleblowing referrals directly. During 2023/24, we have had 11 whistleblowing reports which is 50% less than 2022/23.

These are analysed below. Note that each referral can contain multiple allegations covering different types so there are more than 11 cases recorded:-

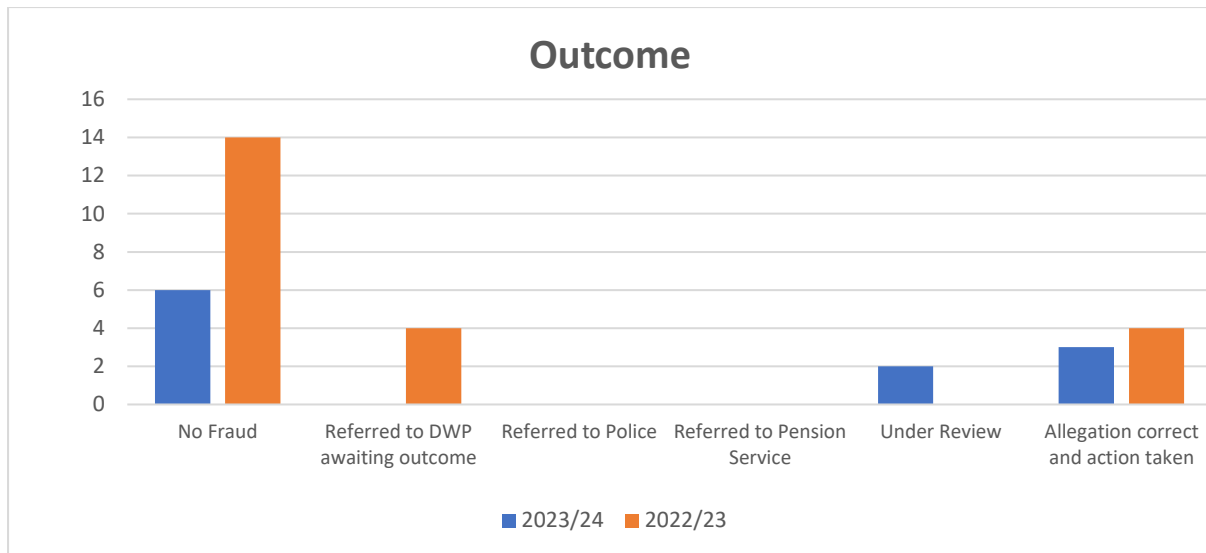


There has been a significant reduction in most types of referrals with the exception of Single Person Discounts which are relatively similar to 2022/23.



In line with the types of referrals, the main allegation remains partner resident. The other allegations included suspected over occupation of a property and evasion of car parking fines.

# Whistleblowing



The change in the type of referral and allegation has meant that no cases were referred to other bodies awaiting outcomes. Most of the cases have been reviewed and resulted in no fraud being identified. There were however three cases where corrective action was taken as follows:-

- Single person discount was removed from an account and 25% reduction was recovered on the account.
- Council Tax Reduction cancelled for one account as resident is not living at the property. This has resulted in £25.20 per week being saved.
- Council Tax reduction claim amended to include correct residents resulting in a £4.60 per week reduction.

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, 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 matches have so far resulted in savings of £31,645 in Housing Benefit/Council Tax Support. Recovery is currently underway for £31,636 of overpayments. There was one duplicate creditor payment of £1,250 which has been repaid.

The current position for these is shown in the following tables:-

## NFI results for 2020/21 and 2022/23 to date:-

Matches relating to Housing Benefit/Council Tax Reduction:-

	2022/23 NFI exercise To 30/04/24	2020/21 NFI exercise Total
Total Matches	757	332
Investigating	1	0
Cleared	744	332
Frauds	0	0
Errors	26	27
Total Outcome / Savings	£31,645	£39,351
Claims where seeking recovery	26	25
Amount to recover	£31,636	£39,076

There was one error relating to Housing Benefit where the claimant had not declared a student loan. This resulted in an overpayment of £1,170. The remaining 25 errors related to Council Tax Reduction:-

- 3 matched to other payrolls, overpaid £6,875
- 12 matched to other pensions, overpaid £12,114
- 1 matched to other tenancy (overlapping) £460
- 3 matched to HMRC property ownership records, overpaid £1,343
- 4 matched to HMRC earnings and capital records, overpaid £7,595
- 1 matched to HMRC household composition records, overpaid £1,629
- 1 matched to other housing benefit, overpaid £460

# National Fraud Initiative

Other Matches:-

2022/23 NFI exercise

Area	Number	Investigating	Cleared	Fraud/ Error	Over- payments	Seeking recovery
Payroll	20	0	8	0	0	0
Housing	551	12	19	0	0	0
Right to Buy	266	0	0	0	0	0
Waiting List	61	2	0	0	0	0
Creditors	454	0	5	0	£1,250	Repaid
Residents Parking	4	0	4	0	0	0

The Creditor overpayment relates to a duplicate payment made to a creditor who was legitimately set up with two different reference numbers due to requiring payments into different bank accounts depending on what was being purchased. The supplier has repaid the Council.

2020/21 NFI exercise

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

# 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. Whilst the Council 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.

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. Whilst there have not been any incidences of fraud, the Council has a number of measures in place to ensure that it continues to prevent fraud and cyber security remains visible:-

- The Council continues to place high importance on cyber security and has included it within the Strategic Risk register as a red risk. It is also within the Fraud Risk Register together with other IT and Data. This is currently classified collectively as an Amber risk.
- IT Disaster recovery was a significant governance issue on the AGS (Annual Governance Statement) for 2022/23. There is now an ICT disaster recovery policy in place which includes action cards for known incidents such as ransomware, phishing, and malware.
- A recent audit of Cyber security has provided a substantial opinion, and an action plan is in place for implementing the recommendations made.
- 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 Information Governance Group also considers cyber security within its programme of work.
- The Council performs external annual assessments of vulnerabilities, reviews best practice and participates in regional and national initiatives to improve Cyber Security.

## **Housing Benefit / Council Tax Support**

For 2023/24 the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for Lincoln was 8. There continues to be a low number of 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**

A reduction of 25% on the Council tax payable is available where a property is occupied by a single person. A single person discount review was carried out during 2023/24. This generated an estimated revenue of £105,636. The largest amount to be removed was a single person discount on a Band G property which was removed with effect from 1<sup>st</sup> April 2023 and raised £872.55 debit.

There are a number of discounts and charges for empty domestic properties varying from a 100% discount for the first unoccupied month up to a 400% charge where the property has been empty for 10 years or more. 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. The premium charge on an empty property for 2023-24 is applied where the property has been empty over 2 years but less than 5. From 1<sup>st</sup> April 2024 this premium will be applied where the property has been empty over 12 months but less than 5 years.

## **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 is being reviewed once every two years. Application forms request details of all properties that the applicant occupies and use the internet, websites and contacts at other Local authorities to ensure that Small Business Rates Relief is not awarded where there is no entitlement.

## **Housing Tenancy**

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

For 2023-24 there were 25 notices to quit issued for non-occupation of a council dwelling and all have been ended without recourse to legal proceedings. A significant increase from 2022/23 where 15 were issued.

## **Payroll and Human Resources**

There were no frauds identified within payroll and Human Resources 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 (where requests are made outside of the HR/Payroll System). The system itself 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**

There were no frauds reported involving the elections. The team continue to implement the processes laid down by the Electoral Commission.

## **Other fraud / fraud attempts**

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

We have reviewed the processes for collating data on fraud and have identified other areas where fraud has been attempted these include 26 web payments and 10 fraudulent cheques.

# Fraud Risk Register

The Fraud Risk Register has been updated this year concentrating on updating the assurance levels. A full refresh was planned for 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. This was not completed due to capacity within the Team and is now planned for 2024/25.

There have been no changes made to the risks on the register.

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
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 2024 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.

# Fraud Risk Register

- 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
- Property inspections undertaken
- SPD reviews undertaken