

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 20 July 2023

Report of: Head of Finance and Audit

Subject: COUNTER FRAUD ANNUAL REPORT

SUMMARY

This report updates the Committee on the counter fraud work carried out in the last 12 months including the numbers and outcomes of fraud cases.

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee note the contents of the report.

INTRODUCTION

1. This report provides an update of any actions taken in the last 12 months in support of our Anti-Fraud and Corruption Policy. It also includes details of the cases of fraud that have been investigated.

ACTIVITY SINCE THE LAST REPORT

Strategic Actions

2. **GCFP Framework Compliance:** The Government Counter Fraud Profession (GCFP) was launched in October 2018 to develop a common structure for counter fraud capability across government. The GCFP sets a corporate fraud standard across government and recognises the skills required for an adequate and effective counter fraud unit. The GCFP Board is developing an accreditation route against this standard. Although this accreditation is not currently available the Council commissioned an internal audit of how its processes currently compare against the standard.
3. The audit concluded that the Council is currently fully compliant with 21 (72%) of the 29 areas of the functional standards. The main areas for improvement are:
 - To reintroduce a Fraud Action Plan of planned proactive work
 - To refresh the documented Irregularity Response Plan
 - To strengthen the fraud awareness training plan for all employees

Resources have been allocated to progress these actions in the coming years.

4. **Joint working with the DWP:** As reported last year, the joint working arrangements ceased immediately upon lockdown in March 2020 and all Department for Work and Pensions (DWP) investigators were seconded to the Universal Credit team or to dealing with telephone interviews. Some DWP investigators have returned to normal duties so joint working has resumed, albeit rather slowly. It was anticipated that more joint working cases would be resolved during 2022 but this has unfortunately not been the case.
5. DWP have recently made contact with local authorities and it is anticipated that joint working protocols will resume, although in a smaller capacity. Due to this, some cases of Council Tax Support fraud have had to be passed over to the DWP to deal with alongside their benefits cases using their own methods as we are not able to investigate them within the constraints of the legislation.
6. **Investigation of Housing Fraud/Council Tax/Council Tax Support:** Housing fraud work and some Council Tax support fraud investigations have now resumed, after the redeployment of resources to assist with grant fraud in previous years. A few interesting cases resulting are mentioned later in the report.
7. **Fraud Awareness and Document Verification:** Referrals of fraud from the Council's staff have decreased over the last few years. Targeted fraud

awareness training was therefore rolled out by the Investigations Officer to the Council Tax, Environmental Health, Benefits, Housing Options and Neighbourhood Teams. This has been supplemented, in April 2023, with training on Document Verification provided by an external supplier. There were 35 attendees at this training from services across the Council.

Specific Areas of Fraud

8. **Energy Rebate Scheme:** In 2022/23 a new area of counter fraud work was required following the introduction of the Government Energy Rebate schemes for domestic households.
9. The first schemes involved making £150 energy rebate payments to households paying council tax in bands A-D who were resident in the borough on 1 April 2022. Under the schemes the council paid out:
 - 35,550 mandatory grants – Totalling £5,332,500
 - 319 discretionary grants – Totalling £47,850
 - 3,774 top-up payments – Totalling £74,499
10. Approximately 18% of eligible households did not pay their council tax by Direct Debit so an application process had to be used to obtain and verify bank account details before payment could be made.
11. A team of officers, including all the counter fraud staff, were redeployed to the rebate project and a number of counter fraud measures were employed in the processing of applications including:
 - Checks that the household met the eligibility criteria and were the council tax bill payer
 - Checks that the bank account details had been provided by the correct party and matched the unique identifier sent in the invite
 - Checks that the applicant had not already been paid and/or had made multiple applications
 - Checks, using the government Spotlight tool, that the bank account details were valid and match the details of the eligible party
12. The checks resulted in 597 (11%) of the applications being rejected for the following reasons:

Reasons for rejection	
Duplicate Application	559
Already Paid	23
Not in Borough	9
Not living in the property on 1/4/22	4
Misused someone else's code	1
Other issue	1
	597

13. Two further streams of counter fraud work commenced in February/March 2023:
 - [The Energy Bills Support Scheme Alternative Funding \(EBSS AF\)](#) – this scheme provides a one-off £400 non-repayable discount to eligible households, such as tenants, who have not received the main EBSS payment automatically to help with their energy bills between 1 October 2022 and 31 March 2023. This scheme is also open to care home residents who are either fully or partly self-funded.
 - [The Alternative Fuel Payment Alternative Fund Scheme \(AFP AF\)](#) – this scheme provides a one-off £200 payment where households use alternative fuels – such as heating oil, biomass and liquefied petroleum gas (LPG) – as the main source of heating and do not have a direct relationship with an energy supplier. For example: mobile home residents.
14. Both of these schemes require applicants to apply for the grants through the central government portal where some eligibility checks are carried out prior to the application being forwarded to the Council for further due diligence checks and payment.
15. Similar checks are therefore being carried out on these applications including:
 - Checks that the applicant has provided adequate supporting documentation such as care home invoices in respect of EBSS applications and fuel receipts in respect of Alternative Fuel Payment.
 - Checks that the applicant has not already been paid and/or has made multiple applications
16. **COVID Business Grants Data Match:** Following the completion of the Business Grants a data matching exercise of all 10,971 payment records was carried out of the business grant data to identify any potential duplicate payments that got through and any evidence of internal fraud. A detailed follow up of all the resulting exception reports has now been completed and no evidence of fraud and abuse has been found, that had not been picked up in the original due diligence checks.
17. **Council Tax SRD Review:** The Single Resident Discount review has been refreshed as part of the annual billing process in February 2023. Approximately 15,000 residents in receipt of the discount were asked to confirm their continued entitlement via an online portal or by returning the questionnaire in the post. Where the questionnaire is not returned, officers will ultimately remove the discount entitlement.
18. As at the last count in mid-May 6,487 (43%) of the forms had been returned and logged. The Council Tax team will then start chasing up any responses not received and verifying the information contained from the completed forms.
19. **Housing Options Fraud:** A discussion with the Housing Options Team highlighted a skills gap in some of the processes being used to verify an

applicant's circumstances. Actions have therefore been taken to strengthen the Councils arrangements including:

- Use of the Investigations Officer to lead on running credit reports and briefing officers on issues arising.
 - Providing in-depth training to the Housing Options Team on interviewing skills, verification of documents and credit reports.
20. This initiative has ensured that Housing Waiting list applicants are being properly scrutinised and ensures information supplied is investigated before a decision is made. A number of applications have been stopped at the first stage due to this enhanced scrutinisation of applications.

INVESTIGATION REFERRALS AND OUTCOMES

21. The information provided in [Appendix B](#) shows the number of fraud and irregularity cases received and investigated in the last financial year, and the information required to be published on our website in accordance with the Transparency Code.
22. There was a total of 334 cases investigated, leading to 44 cases of fraud or irregularity being found. These amounted to a total value of £23,943 of either attempted or actual fraud or irregularity. The largest area this year related to duplicate creditor payments identified from the NFI matches.

Whistleblowing and Anti-Bribery

23. There were 6 issues raised by employees in the last 12 months which have been investigated and appropriate actions taken. No employee has felt it necessary to raise concerns outside the organisation.
24. There were no cases of attempted bribery of a Council employee which were handled under the Council's Anti-Bribery policy.

Sanctions

25. The Council had a successful prosecution of Tenancy fraud in the year which resulted in the Council being awarded an Unlawful Profit Order of £1,249. This must be paid by the fraudster immediately or else interest is accrued.
26. There have been no administrative penalties authorised by Fareham Borough Council. However, two civil penalties totalling £140 were issued for Council tax related fraud resulting from an investigation. Other civil penalties have also been issued for cases of failing to inform the Council promptly of a change of circumstance affecting a Council tax discount.
27. There was one Council Housing house recovered in the year following an investigation into non-residency.

Interesting cases

28. **Tenancy fraud:** Suspicions were raised to the Council as it was suspected that a council tenant was not living at her 3-bedroom property and instead was allowing her adult children to live there and pay her rent. An extensive investigation took place which identified that the tenant was living in another part of the borough permanently. Evidence was obtained of rent payments being made and surveillance was undertaken.
29. This was all denied during an interview under caution and a defence raised which was followed up and found to be untrue. Based on this and all other evidence that had been obtained a Notice to Quit and Notice Seeking Possession were served and the keys to the property were returned by the tenant.
30. It was also decided that due to the seriousness of this fraud and the length of time it had taken place, we would seek further sanction through the court process. The case was taken to Magistrates Court and the tenant pleaded guilty to the charges brought against her. She was sentenced to 6 months imprisonment, suspended for 12 months. This case was also reported by the Council through its social media channels and in the local media.
31. **Housing Options Fraud:** A case was referred by the Housing Options Team as the purported landlord of a property lived in Gosport. This 'landlord' had been approached by a Fareham resident who needed urgent accommodation as she was becoming homeless. A rent in advance and deposit payment was requested by the 'landlord' of approximately £2,000. Extensive enquiries found that the 'landlord' did not live at the address in Gosport but in fact lived in London under various aliases and was using this Gosport address without the real residents' knowledge. This was found to be a scam and was reported to Action Fraud who were already aware of this individual from other cases across the country.

NATIONAL FRAUD INITIATIVE

32. The National Fraud Initiative (NFI) is a mandatory data matching exercise organised by the Cabinet Office. All data sets requested since the last report have been submitted on time.
33. There has been a new exercise completed since the last report which falls into the 2022/23 financial year, resulting in 2,068 extra matches to review. The majority of these relate to council tax single resident discount matches.

Progress made on clearance of NFI matches					
Fraud category	Number of Matches as at end of last year	Number of Matches now including all releases up to 31/3/23	Total closed as per last year	Total closed as per this year (as at 23/06/2023)	Matches left to clear as at 23/06/23
Matches from the 2020/21 2-Yearly Main Exercise (No new matches since 14/12/2021)					
Benefits	30	25	21	21	4
Council Tax Reduction	192	148	148	148	-
Housing Tenants	143	41	10	10	31
Waiting List	56	56	4	4	52
Right to Buy	1	1	-	-	1
Payroll	12	12	4	4	8
Procurement	3	3	-	-	3
Grant Recipients	76	76	76	76	-
Creditors	282	282	-	-	282
sub-total	795	644	263	263	381
Matches from the 2022/23 2-Yearly Main Exercise (received from Jan 2022 to March 2022)					
Benefits	-	14	-	14	-
Council Tax Reduction	-	78	-	77	1
Waiting List	-	19	-	19	-
Right to Buy	-	1	-	1	-
Payroll	-	4	-	2	2
Creditors	-	116	-	114	2
sub-total	-	232	-	227	5
Matches from the Recheck Annual Exercises					
Council Tax	2,601	4,588	-	10	4,578
Total	3,396	5,464	263	500	4,964

34. The table above shows the progress made on clearing all matches since the last report. Work in the year targeted the new exercise matches. There have been no new fraud cases arising from the clearance of NFI matches in the last year. However, 5 creditors duplicate payments were found totalling £19,189. Most of this money has since been returned.
35. More detail of how much fraud and error has been identified from each NFI exercise in the last 10 years is provided in [Appendix A](#).

USE OF LEGAL POWERS

36. Key powers available to investigators for the detection and prevention of fraud are:
- Powers of Surveillance, using a Covert Human Intelligence Source (CHIS), or obtaining Communications data designated by the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016.
 - Authorised Officer powers to obtain information from specified parties including employers, utilities companies and banks under the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 Regulations and the Prevention of Social Housing Fraud (Power to require Information) (England) regulations 2014

37. There are several safeguards in the Council processes to make sure that investigation powers are only used when legal, proportionate and necessary. These include:
- a) All RIPA applications are required to be authorised by a trained designated officer in the Council.
 - b) All RIPA authorisations for surveillance and CHIS are presented to a magistrate for approval.
 - c) All RIPA applications for communications data are submitted to the National Anti-Fraud Network (NAFN) where they are reviewed and authorised by a NAFN officer before the request for information is issued.
 - d) All approved RIPA authorisations are logged on a central register which flags up when they expire. A formal cancellation form is completed for every application.
 - e) The Council is required to complete annual returns on the use of the RIPA powers and is subject to an inspection every 3 years from the Investigatory Powers Commissioner's Office (IPCO). The last inspection was conducted in January 2022 and no recommendations were made.
 - f) The National Anti-Fraud Network (NAFN) is subject to periodic audits from the Driver & Vehicle Licensing Agency (DVLA) and Fareham was selected in 2021 for an audit. No issues were observed.
 - g) The National Anti-Fraud Network (NAFN) is also subject to an annual inspection from the Investigatory Powers Commissioner's Office (IPCO), which may cover applications made by Fareham Borough Council depending on the sample they select to test. There were none in 2022/23.
 - h) Most Authorised Officer powers are also executed via application to the National Anti-Fraud Network (NAFN). They are reviewed and authorised by a NAFN officer before the request for information is issued.
38. We also report every year to this committee how many times we use these powers, as follows and publish the frequency of our use of authorised officer powers as part of our Transparency data.

Usage in 2022/23

39. There has been 1 authorisation granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2022 and 31 March 2023 which has resulted in a positive result. This is summarised in Appendix B.
40. There have been 148 uses of Authorised Officer powers during investigations in the last 12 months, as detailed in the table below. This compares to 119 last year.

Authorised Officer powers used 1 April 2022 and 31 March 2023	
Prevention of Social Housing Fraud Act	Council Tax Reduction Regulations & Data Protection Act exemptions
26	122

RISK ASSESSMENT

41. There are no significant risk considerations in relation to this report

Appendices:

Appendix A – Cumulative Findings from National Fraud Initiative Exercises

Appendix B - Authorisations for use of RIPA

Appendix C - Annual Fraud Case Figures 2022/23

Background Papers: None

Reference Papers: None

Enquiries: For further information on this report please contact Elaine Hammell (Ext 4344) or Andrea Kingston (Ext 4618).

Appendix A

Cumulative Findings from National Fraud Initiative Exercises in the last 10 years

Year of Exercise*	Type	No. of Matches	No. of Fraud Cases found	No. of Errors found	Value of Fraud & Error cases
2022/23	Council Tax	1,987	0	0	0
2022/23	Full Exercise	232	0	5	£19,189
2021/22	Council Tax	2,601	0	0	0
2021/22	Full Exercise	795	0	3	£3,707
2020/21	Council Tax	3,048	0	3	£4,680
2020/21	Full Exercise	636	4	29	£33,075
2019/20	Council Tax	4,302	2	15	£35,389
2018/19	Full Exercise	1,628	4	29	£33,075
2017/18	Council Tax	3,577	16	8	£17,466
2016/17 & 2017/18	Full Exercise & Extra matches	1,624	1	8	£3,563
2016/17	Council Tax	669	25	32	£24,176
2015/16	Waiting List	42	0	7	0
2014/15+2015/16	Full Exercise	994	13	12	£15,901
2014/15+2015/16	Council Tax	1,054	6	0	£3,149
2014/15	Student Loans	19	1	0	£1,258
2013/14	Council Tax	553	34	4	£15,108

*Compilation of the results of NFI started to be compiled in this way in 2008/09. Those exercises in bold have been completed so there will be no further findings.

Appendix B**Authorisations for use of RIPA (April 22 to March 23)**

Ref No	Date Authorised Internally	Authorising Officer	Suspected Offence	Investigation power used	Date Authorised by a Magistrate	Duration of authorisation (in days)	Outcome for the Investigation
1	17/05/2022	Head of Housing and Benefits	Undeclared partner leading to: Housing Benefit Fraud Council Tax Support Fraud Council Tax Fraud (Single Resident Discount) Tenancy Fraud	Surveillance	25/05/2022	91	Evidence obtained that crime or disorder MAY BE occurring

APPENDIX C

Annual Fraud Case Figures 2022/23 compared to last year

	2022/23				2021/22		
	Number of Fraud Cases				Number of Fraud Cases		
Type of Fraud	Investigated	Fraud Concluded	Value		Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	32	2	£3,085		11	4	£24,027
Council Tax Support	96	5	£673		54	8	£8,045
Council Tax	16	4	£996		7	4	£2,701
Business Grants	-	-	£0		118	26	£88,522
Housing	46	2	£0		37	7	£253,800
Procurement	114	5	£19,189		1	1	£0
Permits and Passes	-	-	£0		-	-	£0
Other	-	-	£0		-	-	£0
SUB-TOTAL	304	18	£23,943		228	50	£377,095
Other Irregularity	Investigated	Irreg Concluded	Value		Investigated	Irreg Concluded	Value
Employee and Payroll	26	24	£0		9	4	£6,114
Finance and Insurance	-	-	£0		-	-	£0
Other e.g. abuse of position	4	2	£0		-	-	£0
SUB-TOTAL	30	26	£0		9	4	£6,114
TOTAL	334	44	£23,943		237	54	£383,209
Sanctions and Redress							
Administrative Penalties levied							
Council Tax Civil Penalties			£140				£280
Housing Benefit recovered			£14,293				£21,869
Business Grants Returned			£722				£20,945
Court costs awarded							£481
Unlawful profit order (POCA)			£1,249				
Total			£16,404				£43,575
Housing properties recovered / prevented		1				4	
Homeless Assistance prevented		0				1	
Non FBC Fraud found (DWP benefits)		1	£0			3	£12,485