

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 12 July 2021

Report of: Deputy Chief Executive Officer

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.

The Audit and Governance Committee's areas of responsibility for Counter Fraud include:
a) to review the assessment of fraud risks and potential harm to the council from fraud and corruption; and b) to monitor the counter-fraud strategy, actions and resources.

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. **Investigation of Housing Fraud/Council Tax/Council Tax Support:** Due to Covid restrictions, the fraud investigator has been mainly seconded to the Finance team since April 2020 to assist with the prevention of fraud from the Business Grants schemes introduced by the Chancellor specifically for Covid purposes. Details of this fraud work is covered later in the report.
3. **Joint working with the DWP:** The joint working arrangements ceased immediately upon lockdown in March 2020 and all DWP investigators were seconded to the Universal Credit team or dealing with telephone interviews. Investigations within DWP have still not yet commenced which has held up all our current outstanding investigations with them.
4. During this last year, 12 cases had been accepted for joint working and work had commenced, but these cases were effectively put on hold. The Council Investigations officer continued to work on these cases to maintain up to date evidence in preparation for work to recommence. During this time, 2 cases were closed as it had become apparent that no fraud was being committed.
5. The Council Investigations Officer continued to conduct some investigation work and a further 10 cases have been identified as requiring joint working and invitations continued to be sent to the DWP. However, the DWP have passed all new referrals to their Compliance Department and to date it has not been possible to gain confirmation of how many cases have been opened or dealt with and closed.
6. The Council Investigations Officer is planning three interviews under caution for non-residency and sub-letting cases which have been on hold for some time and which all potentially involve recovery of properties. To date it is unknown whether a DWP investigator will be made available to participate in these interviews or whether findings will have to be sent to a DWP Benefit Decision Maker.

Specific Areas of Fraud

7. **Business Rates Grants:** As highlighted last year, there has been a new stream of counter fraud work starting in the latter part of 2019/20. The Government announced various schemes to give financial help to businesses and individuals financially hit by the pandemic.
8. As at 01/07/2021 the Council has been involved in 30 business grants and relief schemes and over £66million has been awarded or paid out.

9. Due to the fraud risks inherent in the grants scheme, a team of officers, including all the counter fraud staff, were redeployed onto the Grant scheme projects and a number of counter fraud measures were employed in the processing of applications including:
- Checks against the eligibility criteria
 - Due diligence checks regarding the applicant's identify and status, including use of the government's Spotlight tool
 - Data analysis to identify duplicate and contradictory applications
 - Independent verification of the bank account details before payment
10. The Council has also been required to report frequently to the government on the due diligence work being carried out and the number of attempted and actual frauds being identified.
11. The fraud statistics for the Government grant schemes to 31/03/21 are summarised in the table. These only relate to the Spring/Summer grant schemes which ended in September 2020. The figures do not include the number of duplicate applications that were intercepted (approximately 300).

Attempted Fraud and Fraudulent Grant claims as at 31/03/21

Type of Grant	No. of Attempted Fraud Claims	Value of attempted fraud Claims (£)	No. of Fraudulent Claims	Value of Fraudulent Claims (£)	No. of fraudulent claims recovered	Value of fraudulent claims recovered (£)
Small Business	8	80,000	3	30,000	1	10,000
Retail, Hospitality and Leisure	12	210,000	2	50,000	2	48,429
Local Authority Discretionary	2	10,000	0	0	0	0
Totals	22	300,000	5	80,000	3	58,429

12. The checking procedures covering all Business Grant Schemes up until 31/03/21 identified 22 cases of attempted fraud preventing payment of £300,000. A further 5 claims were identified as fraudulent and payments made totalled £80,000. The recovery of £58,429 had been achieved by the end of March 2021.

This consisted of:

- a £10,000 grant that was obtained by an applicant who was no longer the liable party for the business, this was repaid in full by the applicant;
- a £25,000 grant that was part of a national fraud that was reclaimed from the beneficiary's account after the Authority was alerted by the fraud team at their own bank;

- a £25,000 grant that was obtained for an empty property by a business not in operation as at 11/03/20 in accordance with the scheme policy. £23,489 had been reclaimed by the authority with the remaining balance of £1,511 being collected after 31/03/21.
13. Sundry debtor accounts have been sent to the applicants in respect of the outstanding grants representing 2 x £10,000 and recovery action is ongoing. Both fraudulent applications appear to be for businesses that were no longer operating from the address given as at 11/03/20.
 14. **Council Tax Single Residents Discount (SRD) Review:** In February 2020, a Single Resident Discount review was carried as part of the annual billing process, 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.
 15. Most responses have been received, but due to the COVID pandemic and resources being diverted to other priorities, officers have not been able to complete the canvass although the team have now recommenced reviewing the returns received and not received and dealing with any cases where the discount no longer applies. The outcome of the review will be reported in next year's report.

INVESTIGATION REFERRALS AND OUTCOMES

16. The information provided in [Appendix C](#) 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. There was a total of 746 cases investigated, leading to 55 cases of fraud or irregularity being found. These amounted to a total value of £493,574 of wither attempted or actual fraud. The largest area of fraud found by value was for business grant fraud (£380,000) which is why this has been the focus of the counter fraud resources this year.

Whistleblowing and Anti-Bribery

17. There was 1 case raised by employees in the last 12 months which has been investigated and no employee has felt it necessary to raise concerns outside the organisation.
18. There was also a case of attempted bribery of a Council employee which was handled under the Council's Anti-Bribery policy.

Sanctions

19. There have been no criminal sanctions awarded following any investigation where Fareham Borough Council was the lead investigating party because of the Covid pandemic preventing normal investigation work.
20. There have been no administrative penalties authorised by Fareham Borough

Council on cases the DWP investigated, because of the Covid pandemic. However, two civil penalties totally £140 were issued for Council Tax fraud.

21. One Fareham Borough Council property has been recovered in the year and a transfer to a bigger property prevented. Two applications for homelessness assistance have also been declined as further checks identified that the applicants already owned a property.

NATIONAL FRAUD INITIATIVE

22. 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. There have been 4 releases of new matches since the last report which fall into the 2020/21 financial year, resulting in an additional 1,320 matches to review.
23. The table below shows the progress made on clearing all matches since the last report. During the year the teams have managed to clear **430** of the old and new matches leaving 5,206 still to review.

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 31/3/21	Total closed as per last year	Total closed as per this year (as at 30/6/21)	Matches left to clear as at 01/7/2021
Matches from the 2018/19 2-Yearly Main Exercise (received from Jan 2019)					
Benefits	481	481	392	481	-
Council Tax Reduction	516	516	374	516	-
Housing Tenants	226	226	58	223	3
Waiting List	91	91	58	90	1
Right to Buy	-	-	-	-	-
Payroll	17	17	8	10	7
Procurement	1	1	1	1	-
Residents Parking	2	2	2	2	-
Creditors	294	294	36	36	258
sub-total	1,628	1,628	929	1,359	269
Matches from the 2020/21 2-Yearly Main Exercise (received from Jan 2021 to Feb 2021)					
Benefits	New	21	New	20	1
Council Tax Reduction	New	148	New	148	-
Housing Tenants	New	41	New	10	31
Waiting List	New	56	New	4	52
Right to Buy	New	1	New	-	1
Payroll	New	12	New	-	12
Procurement	New	3	New	-	3
Grant Recipients	New	-	New	-	-
Creditors	New	282	New	-	282
sub-total	-	564	-	182	382
Matches from the Recheck Annual Exercises 2019/20					
Council Tax	4,302	4,302	121	121	4,181
Matches from the Recheck Annual Exercises 2020/21					
Council Tax	New	756	New	-	756
Total	5,930	6,686	1,050	1,480	5,206

24. The table below shows the number and value of fraud cases arising from the clearance of NFI matches in the last year. More detail of how much fraud and error has been identified from each NFI exercise is provided in [Appendix A](#). Any frauds that were being pursued by FBC will have been included in the overall statistics in [Appendix C](#).

Fraud Cases Identified from NFI

Data Set	Nature of Fraud	Date of Committee Report					
		March 2021		Sept 2020		July 2019	
		Number	Value	Number	Value	Number	Value
Housing Benefits and CTR	Undeclared pension					1	£1,902
	Undeclared employment			1	£2,764		
	Benefits claimed on 2 properties					1	£9,812
Council Tax	Undeclared second adult living at property			28	£22,139	35	£30,716
Waiting List	<i>Data no longer available</i>	1	£3,240	-	-	-	-
TOTAL		1	£3,240	29	£24,903	37	£42,430

USE OF LEGAL POWERS

25. 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
26. 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 in 2018 concluded that 'our usage and standards are an example to all'.
 - f) The National Anti-Fraud Network (NAFN) is subject to an annual inspection of the Interception of Communications Commissioner's Office (IOCCO), which may cover applications made by Fareham Borough Council depending on the sample they select to test.
 - g) 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.
27. 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 2020/21

28. There has been 1 authorisation granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2020 and 31 March 2021 as summarised in [Appendix B](#). This work was undertaken during August and September 2020 whilst the Business Grants work was decreased and enabled the investigation into Benefit fraud to progress.
29. There have been 278 uses of Authorised Officer powers during investigations in the last 12 months, as detailed in the table below. This compares to 400 last year and will be due to the secondment to Business Rates Grant work.

Authorised Officer powers used 1 April 2020 and 31 March 2021	
Prevention of Social Housing Fraud Act	Council Tax Reduction Regulations & Data Protection Act exemptions
9	269

RISK ASSESSMENT

30. 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 2020/21

Background Papers: None

Reference Papers: None

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

Cumulative Findings from National Fraud Initiative Exercises

Year of Exercise*	Type	No. of Matches	No. of Fraud Cases found	No. of Errors found	Value of Fraud & Error cases
2020/21	Council Tax	756	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
2012/13	Full Exercise	1,333	13	14	£49,562
2011/12	Council Tax	484	21	2	£13,034
2010/11	Full Exercise	1,760	335[#]	13	£26,356
2009/10	Council Tax	1,424	43	0	£18,648
2008/09	Full Exercise	1,779	212[#]	3	£54,978
2008/09	Council Tax	747	130	3	£87,920

*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.

Included match of concessionary travel permits against deceased database with no monetary value used.

Appendix B

Authorisations for use of RIPA (April 20 to March 21)

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	27/8/2020	Head of Housing and Benefits	Tenancy Fraud Council Tax Support Fraud Universal Credit Fraud On the non-residency of FBC owned social housing.	Surveillance	3/9/2020	50	Evidence obtained that crime or disorder MAY BE occurring, but investigation suspended due to lockdown x 2

Appendix C - Annual Fraud Case Figures 2020/21

	2020/21			2019/20		
	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	120	3	£15,532	321	3	£15,532
Council Tax Support	304	3	£2,793	336	4	£5,557
Council Tax	8	5	£2,520	462	32	£24,659
Business Grants	64	26	£380,000			
Housing	233	7	£3,726	20	7	£0
Procurement	-	-	£0	37	-	-
Permits and Passes	-	-	£0	3	2	£0
Other				-	-	-
SUB-TOTAL	729	44	£404,571	1,179	48	£45,748
Other Irregularity	Investigated	Irreg Concluded	Value	Investigated	Irreg Concluded	Value
Employee and Payroll	15	9	£0	15	14	£0
Finance and Insurance	2	2	£89,003	8	7	£15
Other e.g. abuse of position				-	-	-
SUB-TOTAL	17	11	£89,003	23	21	£15
TOTAL	746	55	£493,574	1,202	69	£45,763
Sanctions and Redress						
Administrative Penalties levied			£0			£0
Council Tax Civil Penalties			£140			£140
Housing Benefit recovered			£23,069			£52,447
Business Grants Returned			£58,429			£20
Parking charges repaid						£487
POCA Confiscation						-
Total			£81,638			£53,094
Housing properties recovered / prevented		2			3	
Homeless Assistance prevented		2				
Non FBC Fraud found (DWP benefits)		1	£6,895		4	£30,860