

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 07 July 2022
Report of: Deputy Chief Executive Officer
Subject: COUNTER FRAUD ANNUAL REPORT 2021/22

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. **Investigation of Housing Fraud/Council Tax/Council Tax Support:** Due to the continued impact of the pandemic, the fraud investigator continued to be largely seconded to the Finance team in 2021/22 to assist with the prevention of fraud from the Covid-19 Business Grants schemes.
3. **Joint working with the DWP:** The joint working arrangements ceased immediately upon lockdown in March 2020 and all Department of Works 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 is anticipated that more joint working cases will be resolved during 2022.

Specific Areas of Fraud

4. **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.
5. As at 31/03/2022 the Council has been involved in about 40 business grants and relief schemes and over £60million has been awarded or paid out.
6. 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
7. 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.
8. The updated fraud statistics for the Government grant schemes to 31/03/22 are summarised in the table below. The figures do not include the number of duplicate applications that were intercepted (approximately 300).

Attempted Fraud and Fraudulent Business Grant claims as at 31/03/22

| Type of Grant | No. of Prevented Fraudulent Claims | Value of attempted fraud Claims (£) | No. of Successful Fraudulent Claims | Value of Fraudulent Claims (£) | No. of fraudulent claims recovered | Value of fraudulent claims recovered (£) |
|---------------------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------------------|------------------------------------|--|
| Small Business | 8 | 80,000 | 2 | 20,000 | 2 | 19,278 ¹ |
| Retail, Hospitality and Leisure | 12 | 210,000 | 2 | 50,000 | 2 | 50,000 |
| Local Authority Discretionary | 2 | 10,000 | 0 | 0 | 0 | 0 |
| Local Restriction Support | 7 | 11,670 | 1 | 2,096 | 1 | 2,096 |
| Restart | 0 | 0 | 1 | 8,000 | 1 | 8,000 |
| Omicron HLG | 7 | 20,002 | 0 | 0 | 0 | 0 |
| Additional Restrictions Grant | 10 | 46,754 | 0 | 0 | 0 | 0 |
| Totals | 46 | 378,426 | 6 | 80,096 | 6 | 79,374 |

Note 1 – one business is continuing to pay back the balance in monthly amounts.

9. **Test and Trace Support Payment Scheme:** This was another new stream of work arising from the Covid pandemic. This scheme was administered by the Benefits team and provided a payment of £500 to applicants who lost employment income as a consequence of having to self-isolate.
10. This scheme ended on 24th February 2022. In total the Council received 1,479 applications and made payments on 617 (42%) of them totalling £308,500.
11. The Benefits team designed and employed a robust series of checks to validate claims including claimant interviews and contacting employers. Although rejected claims have not been classified as true fraud, 58% claims were considered to have failed the eligibility checks for reasons such as:
 - Not in employment
 - Able to work from home so no loss in income
 - Not in receipt of eligible benefits
12. **Energy Rebate Scheme:** This is a new stream of counter fraud work starting from April 2022. The Government has tasked the Council with making £150 energy rebate payments to households paying council tax in bands A-D who were resident in the borough on 1 April 2022.

13. There are approximately 37,000 households eligible for the payment. About 7,000 of these do not pay by Direct debit so bank account details are being requested using a secure portal in order to make the payments.
14. A team of officers, including all the counter fraud staff, are again being redeployed to the rebate project and a number of counter fraud measures are being employed in the processing of applications including:
 - Checks that the household meets the eligibility criteria and is the council tax bill payer
 - Checks that bank account details have been provided by the correct party and matches the unique identifier sent in the invite
 - Checks that the applicant has not already been paid and/or has made multiple applications (approximately 500 identified to date)
 - Checks, using the government Spotlight tool, that the bank account details are valid and match the details of the eligible party
15. **Council Tax Reviews:** In February 2020, a Single Resident Discount review was started as part of the annual billing process. 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.
16. Many responses were received, but due to the COVID pandemic and resources continuing to be diverted to other priorities, officers have not been able to complete the canvass which will now need to be refreshed.

INVESTIGATION REFERRALS AND OUTCOMES

17. 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.
18. There was a total of 237 cases investigated, leading to 54 cases of fraud or irregularity being found. These amounted to a total value of £383,209 of either attempted or actual fraud. The largest area of fraud found by value was for housing fraud (£253,800) which relates to the prevention of 3 Right to Buy discounts being awarded for fraudulent claims.
19. Data for the previous 3 years is provided for comparison and to show the impact of the pandemic on the investigation work.

Whistleblowing and Anti-Bribery

20. 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.

21. There were no cases of attempted bribery of a Council employee which was handled under the Council's Anti-Bribery policy.

Sanctions

22. 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.
23. There have been no administrative penalties authorised by Fareham Borough Council, however, four civil penalties totalling £280 were issued for Council Tax related fraud.
24. One Portsmouth City Council property has been recovered in the year, following a Living Together investigation in Fareham, conducted in conjunction with Portsmouth City Council and a Fareham Borough Council property has been recovered following investigations into non-residency. Three Right to Buy properties were prevented meaning that these 3 properties remain available for future Fareham Borough Council residents.

NATIONAL FRAUD INITIATIVE

25. 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 including the new Business Grants data set which consisted of over 4,000 data items.
26. There have been new releases of matches since the last report which fall into the 2021/22 financial year, resulting in an additional 5,124 matches to review. The majority of these relates to council tax single resident discount matches.
27. The table below shows the progress made on clearing all matches since the last report. Work in the year targeted the Business Grants work stream and little progress was made on the others during the year. Only **81** of the old and new matches in total were cleared leaving 6,937 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 | Total closed as per last year | Total closed as per this year | Matches left to clear as at end of 2021/22 |
| Matches from the 2020-21 2-Yearly Main Exercise (received from Jan 2021) | | | | | |
| Benefits | 21 | 30 | 20 | 21 | 9 |
| Council Tax Reduction | 148 | 192 | 148 | 148 | 44 |
| Housing Tenants | 41 | 143 | 10 | 10 | 133 |
| Waiting List | 56 | 56 | 4 | 4 | 52 |
| Right to Buy | 1 | 1 | - | - | 1 |
| Payroll | 12 | 12 | - | 4 | 8 |
| Procurement | 3 | 3 | - | - | 3 |
| Creditors | 282 | 282 | - | - | 282 |
| Business Grants | - | 76 | - | 76 | - |
| sub-total | 564 | 795 | 182 | 263 | 532 |
| Matches from the Recheck Annual Exercises | | | | | |
| Council Tax | 756 | 5,649 | - | - | 6,405 |
| Total | 1,320 | 6,444 | 182 | 263 | 6,937 |

28. There have been no new 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 in the last 10 years is provided in [Appendix A](#). Any frauds that were being pursued by FBC will also have been included in the overall statistics in [Appendix C](#).

USE OF LEGAL POWERS

29. 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
30. 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 during January 2022 remotely as previous inspections demonstrated a level of compliance that removed the requirement for a physical visit. The report concluded that no recommendations were required.
 - 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. The audit was conducted via Microsoft Teams and evidence supplied to DVLA. A final assurance of green was awarded to Fareham BC meaning that no issues were observed.
 - g) The National Anti-Fraud Network (NAFN) is also 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.
 - 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.
31. 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 2021/22

- 32. There have no authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2021 and 31 March 2022 due to the investigating officer being seconded to assist with Business Rates Grant work.
- 33. There have been 119 uses of Authorised Officer powers during investigations in the last 12 months, as detailed in the table below. This compares to 278 last year.

| Authorised Officer powers used 1 April 2021 and 31 March 2022 | |
|--|--|
| Prevention of Social Housing Fraud Act | Council Tax Reduction Regulations & Data Protection Act exemptions |
| 10 | 109 |

RISK ASSESSMENT

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

Appendices:

Appendix A – Cumulative Findings from National Fraud Initiative Exercises

Appendix B - Annual Fraud Case Figures 2021/22

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 |
|------------------------------|--|----------------|--------------------------|---------------------|------------------------------|
| 2021/22 | Council Tax | 5649 | 0 | 0 | 0 |
| 2021/22 | Full Exercise | 795 | 0 | 3 | £3,707 |
| 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 |

*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.

Annual Fraud Case Figures 2021/22 compared to previous 3 years

| | 2021/22 | | | 2020/21 | | |
|--|-----------------------|-----------------|-----------------|-----------------------|-----------------|-----------------|
| | 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 | 11 | 4 | £24,027 | 120 | 3 | £15,532 |
| Council Tax Support | 54 | 8 | £8,045 | 304 | 3 | £2,793 |
| Council Tax | 7 | 4 | £2,701 | 8 | 5 | £2,520 |
| Business Grants | 118 | 26 | £88,522 | 64 | 27 | £380,000 |
| Housing | 37 | 7 | £253,800 | 233 | 7 | £3,726 |
| Procurement | 1 | 1 | £0 | - | - | £0 |
| Permits and Passes | - | - | £0 | - | - | £0 |
| Other | - | - | £0 | - | - | £0 |
| SUB-TOTAL | 228 | 50 | £377,095 | 729 | 45 | £404,571 |
| Other Irregularity | Investigated | Irreg Concluded | Value | Investigated | Irreg Concluded | Value |
| Employee and Payroll | 9 | 4 | £6,114 | 15 | 9 | £0 |
| Finance and Insurance | - | - | £0 | 2 | 2 | £89,003 |
| Other e.g. abuse of position | - | - | £0 | - | - | £0 |
| SUB-TOTAL | 9 | 4 | £6,114 | 17 | 11 | £89,003 |
| TOTAL | 237 | 54 | £383,209 | 746 | 56 | £493,574 |
| Sanctions and Redress | | | | | | |
| Administrative Penalties levied | | | £0 | | | £0 |
| Council Tax Civil Penalties | | | £280 | | | £140 |
| Housing Benefit recovered | | | £21,869 | | | £23,069 |
| Business Grants Returned | | | £20,945 | | | £58,429 |
| Court costs awarded | | | £481 | | | |
| POCA Confiscation | | | | | | |
| Total | | | £43,575 | | | £81,638 |
| Housing properties recovered / prevented | | 4 | | | 2 | |
| Homeless Assistance prevented | | 1 | | | 2 | |
| Non FBC Fraud found (DWP benefits) | | 3 | £12,485 | | 1 | £6,895 |

| | 2019/20 | | | 2018/19 | | |
|---|-----------------------|-----------------|-----------------|-----------------------|-----------------|-----------------|
| | 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 | 380 | 16 | £109,127 | 259 | 36 | £231,927 |
| Council Tax Support | 393 | 16 | £20,569 | 449 | 35 | £34,129 |
| Council Tax | 504 | 33 | £24,498 | 934 | 38 | £31,967 |
| Business Rates | 1 | - | £0 | 3 | 2 | £8,274 |
| Housing | 46 | 7 | £82,400 | 201 | 4 | - |
| Procurement - Payments | 37 | - | - | - | - | - |
| Permits and Passes | 3 | 2 | £487 | - | - | - |
| Other | - | - | - | 2 | - | - |
| SUB-TOTAL | 1,364 | 74 | £237,081 | 1,848 | 115 | £306,296 |
| Other Irregularity | Investigated | Irreg Concluded | Value | Investigated | Irreg Concluded | Value |
| Employee and Payroll | 15 | 14 | £11,438 | 11 | 10 | £5,733 |
| Finance and Insurance | 8 | 7 | £32 | 5 | 2 | £22 |
| Other e.g. abuse of position | - | - | - | 1 | 1 | - |
| SUB-TOTAL | 23 | 21 | £11,470 | 17 | 13 | £5,755 |
| TOTAL | 1,387 | 95 | £248,551 | 1,865 | 128 | £312,051 |
| Sanctions and Redress | | | | | | |
| Administrative Penalties levied | | | £7,402 | | | £5,554 |
| Council Tax Civil Penalties | | | £490 | | | £1,710 |
| Housing Benefit recovered | | | £52,447 | | | £64,164 |
| Counterfeit note intercepted | | | £20 | | | £20 |
| Compensation and other awards | | | £105 | | | |
| Parking charges repaid | | | £487 | | | |
| Total | | | £60,951 | | | £71,448 |
| Housing properties recovered / prevented | | 3 | | | 3 | |
| Non FBC Fraud found (DWP benefits) | | 4 | £30,860 | | 6 | £53,689 |