

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 18 July 2024

Report of: Assistant Director (Finance and ICT)

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. It also sets out the next plan of work that forms part of the Council's Counter Fraud Strategy.

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee: -

- a) note the contents of the report.
- b) asks Members to pass comment and approve the new Anti-Bribery Policy, at Appendix D.

INTRODUCTION

1. This report provides an update of any actions taken in the last 12 months in support of the Councils 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

Suite of Corporate Policy Updates

2. In 2023/24, the Internal Audit and Counter Fraud team started to update the suite of corporate policies including the **Anti-Fraud and Corruption Policy** and the **Anti-Bribery Policy**. Specific changes to both policies have been detailed below.
3. **Anti-Fraud and Corruption Policy**: Changes were made to the Anti-Fraud and Corruption Policy to bring it in line with the new Fighting Fraud and Corruption Locally Strategy authored by the Credit Industry Fraud Avoidance System (CIFAS) and new legislation including section 199 ('Failure to Prevent Fraud') of the 'Economic Crime and Corporate Transparency Act 2023'. This policy is now live.
4. **Anti-Bribery Policy**: The Councils **Anti-Bribery Policy** has been revised to ensure it aligned with legislation including the 'Bribery Act 2010', the 'Procurement Act 2023', and the 'Economic Crime and Corporate Transparency Act 2023'.
5. The key changes that have been made in the latest draft of the Anti-Bribery policy, attached as Appendix D, are summarised below:
 - a) **Section 5.2 Procurement Act 2023** – The Procurement Act 2023 and the principles it outlines in relation to debarment from bidding for public contracts for companies who have been convicted of economic crimes (including bribery) have been outlined.
 - b) **Section 5.3 Economic Crime and Corporate Transparency Act 2023** – Details of the Economic Crime and Corporate Transparency Act and the implications to the Council have been detailed.
 - c) **Section 8.2 Member Responsibilities** – Reference has been made to how complaints of bribery against elected members will be handled.
 - d) **Section 8.4 Anti Bribery Procedures** – Reference has been made to how Council Officers should act if they are ever a target of an attempted bribe.
6. The Internal Audit and Counter Fraud team will be working to review and update the Councils Anti-Money Laundering Policy next in 2024/25. This will leave 2 further policies to do.

International Fraud Awareness Week

7. To help raise fraud awareness during the International Fraud Awareness Week (12-18th November 2023) the Counter Fraud team used daily briefings in the form of infographic posters to inform officers of the risk of fraud to Fareham Borough Council (FBC) and the work that is being carried out to counter it.
8. As part of the daily briefings, officers were made aware of **key** information relating to the top fraud risks impacting FBC which included:
 - ❖ Housing Fraud,
 - ❖ Procurement Fraud,
 - ❖ Council Tax Support and Benefit Fraud, and
 - ❖ Council Tax and Business Rates Fraud.

Joint working with the DWP

9. Further to last year's report joint working between FBC and the DWP in 2023/24 did not resume as was anticipated due to resource constraints at the DWP, therefore, leading to some cases of Council Tax Support fraud not being closed. These cases have had to be passed over to the DWP to deal with as FBC is not able to investigate them within the constraints of the legislation.
10. However, the DWP have recently announced that they are lifting all investigation restrictions and thus will be returning to full joint working on all types of investigations. Therefore, it is anticipated that in 2024/25, joint working between FBC and the DWP will revert back to pre-pandemic levels.

Training

11. **Fraud Training:** During 2023/24, members of the Counter Fraud Team participated in fraud training provided by external organisations to help staff prevent/detect fraud as well as to ensure that the Council is compliant with any new legislation.
12. The fraud training included:
 - Using Data Analytics (DA) to Identify and Investigate Fraud,
 - Non-Domestic Rate (NDR) Fraud Training,
 - Case Note Writing Training, and
 - Attendance of a webinar discussing section 199 ('Failure to Prevent Fraud') of the 'Economic Crime and Corporate Transparency Act 2023'.
13. **Other Staff Training:** The Investigations Officer continued to provide training with the Housing Options team to help raise awareness of fraud.

Data Matching

14. As part of the overarching Counter Fraud Strategy, regular data matching will be introduced to aid in the detection of fraud. During the year, action was taken to complete a data protection impact assessment on the software that the Council will be using to carry out data matching for fraud detection.

15. Furthermore, the Council is planning to liaise with neighbouring local authorities to exchange data (initially focussing on small business rate relief) to help mitigate the risk of fraud.

Specific Areas of Fraud

Energy Grants

16. **Energy Rebate Scheme:** In 2022/23 the Government had introduced an energy rebate scheme for domestic households which involved making £150 energy rebate payments to households paying Council Tax in bands A-D, in which FBC made 35,546 payments (totalling £5.3 million).

17. A post scheme check was completed on the payments made, as part of a data matching audit completed in February 2024.

18. The audit carried out the following three data analytical tests:

- **Payments to payroll:** The purpose of this test was to detect any internal fraud that may have occurred. The potential fraud being tested for was employees with access to the payments data changing residents bank details to their own in order to receive the £150 payment instead of them.
- **Duplicate Addresses and Account Numbers:** The scheme dictates that only one payment should be made per account and per property. Therefore the 35,546 accounts listed on the data extract were reviewed to identify any instance of duplicate Council Tax account numbers or property reference numbers being present.
- **Duplicate Bank Details:** The data set containing the sort code and account number for all of the rebates paid were combined and a duplicate detection test was completed.

19. The first two tests resulted in positive assurance for the administration of the scheme as no issues were found, however the last analytical test (duplicate bank details) found that eight rebates had been incorrectly paid (totalling £1,200).

20. Eight out of 35,546 represents an error rate of 0.023% and thus does not give rise to any major concerns over the administration of the scheme.

21. As of June 2024, officers are able to confirm that 75% (£900) of incorrectly paid rebates have been reclaimed by the Council.

Business Rates

22. **Business Rates Fraud Risk Assessment:** In the year 2023/24, the Internal Audit team targeted business rates for a fraud risk assessment. Fraud can occur through hidden businesses, or businesses whose circumstances have changed. In particular the assessment summarised each type of 'mandatory' and 'discretionary' relief, the associated fraud risks and the established mitigating actions.

- The assessment highlighted measures to enhance the internal controls surrounding the Councils Business Rate process. For example, as mentioned above the Council is looking to work with other Councils to receive their small business rate relief data in order to perform data matching exercises to ensure businesses are not claiming relief from more than one authority.

23. **Small Business Rate Relief Review:** As part of the annual billing process, the Corporate Debt team started a Small Business Rate Relief Review in February 2024. Approximately 1,193 businesses in Fareham are in receipt of this relief and were asked to confirm their continued entitlement by completing and returning a questionnaire in the post. Where the questionnaire is not returned, officers will remove the relief entitlement.

24. As at last count in mid-June 363 (30%) of the forms have been returned and 44 accounts have been closed as the business has either ceased to operate or has moved outside of Fareham. The Revenues team will start chasing up any responses not received and verifying that there are no new businesses operating from the premises.

Council Tax

25. **Council Tax SRD Review:** The Single Resident Discount review has been refreshed as part of the annual billing process in February 2024. Approximately 14,713 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.

26. As at the last count in mid-June 981(7%) of the forms had not been returned and logged. The Council Tax team will then start chasing up any responses not received, then remove the discount, as well as verifying the information contained from the completed forms.

27. **Empty Property Review:** In December 2023, the Council Tax team contracted a third-party vendor (Capacity Grid by Liberata) to carry out an 'Empty Homes Review' to confirm whether properties in Fareham which were registered as long term empty (LTE) domestic properties were occupied or a second home.

28. Per the report from the third-party, it was noted that FBC had a total of 396 LTE domestic properties, of which 87 (22%) were found to no longer be empty (81 were identified as occupied and six were second homes).

29. This type of review helps the Council to ensure that their records are up to date and accurate. Furthermore, the conversion of 87 properties from empty to occupied may result in additional New Homes Bonus (NHB) income from central government to FBC of £150,757. There is no affect on council tax income as owners already pay council tax on those properties.

30. **NFI Deceased Person Matching Pilot:** In January 2024, FBC participated in an NFI pilot exercise which matched Disclosure of Death Registration Information (DDRI) data to the FBC Council Tax data. Results of this exercise can be found in the [National Fraud Initiative](#) section of this report.

Housing

31. In 2023/24, the Investigations officer performed checks on a total of 236 Housing applicants. These checks ensure that Housing Waiting list applicants are being properly scrutinised and investigated before a decision is made. A number of applications have been stopped at the first stage due to this enhanced scrutiny. A couple of [interesting cases](#) are mentioned later in the report.

Procurement

32. The Investigations Officer worked with the Procurement team to introduce checks on new Council suppliers to counter procurement fraud. In the year 2023/24, the Investigations Officer performed checks on a total of 68 companies and 637 directors.

Income Collection System

33. For the purposes of this report, the Counter Fraud team focused on the 'Chargeback' process of the Income Collection System. For reference, a chargeback is a customer's right to request their bank to reverse a transaction, returning funds deposited into the Council's account back to the customer.
34. In the year 2023/24, FBC was notified of three chargeback requests (two related to Penalty Charge Notices (PCN) (£25 each) and one related to a garden waste subscription (£65 each) totalling £115), of which none were successfully defended as the appropriate evidence could not be provided.
35. The Counter Fraud team is working to establish a new Chargeback process, whereby a central log will be maintained to highlight any chargebacks in the year. Furthermore, the role of the Senior Auditor and Fraud Analyst will be enhanced to manage and triage chargebacks for the Council, to ensure where possible these are successfully defended.

INVESTIGATION REFERRALS AND OUTCOMES

36. 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.
37. There was a total of 1061 cases investigated, leading to 179 cases of fraud or irregularity being found. These amounted to a total value of £158,182 of either attempted or actual fraud or irregularity. The largest value of fraud found was for housing (£105,339); the majority of this (£96,000) related to the prevention of one fraudulent Right to Buy application.
38. Additionally, the highest number of cases which were concluded as fraud related to Council Tax, the majority of which related to empty property found to be occupied or second homes.

Whistleblowing and Anti-Bribery

39. There were four whistleblowing cases raised by employees in the last 12 months which have been investigated or are still ongoing. No employee has felt it necessary to raise concerns outside the organisation.
40. There were no cases of attempted bribery of a Council employee which were handled under the Council's updated Anti Bribery Policy.

Sanctions

41. Please note that in the year 2023/24 there were no prosecutions as a result of fraud.
42. There have been no administrative penalties authorised by Fareham Borough Council. However, fourteen civil penalties totalling £980 were issued for Council tax related fraud.
43. There was one Council Housing house recovered in the year following an investigation into non-residency and 3 inappropriate homeless assistance applications were prevented.
44. The Council was able to successfully recover Housing Benefit Overpayments of £15,150 which were the result of Fraud.

Interesting cases

45. **Right to Buy fraud:** An elderly tenant whose only income was benefits and state pension had submitted a Right to Buy (RTB) application, for a property in which she had lived since January 2008, therefore making her eligible for the full discount of £96,000 or 70% of the property's value.
46. The RTB application was initially made including the tenant's adult son on the basis that he claimed to have lived with his mother for at least twelve months. Upon review of the RTB application by the Investigations Officer, it was found that there was no FBC record linking the tenant's son to the property.
47. ID and various documents were produced to support the son's claim of residency and claims were made that the tenant had never read any forms properly and had therefore never included her son in the household.
48. However, investigation traced the tenant's son to an address overseas where he had been living and working for a number of years and evidence was obtained from his employer which indicated that he was expected to remain out of the UK for the foreseeable future.
49. It was concluded that the son had intended to purchase the property as an investment and the application was refused.
50. **Non-Residency Fraud:** An elderly woman had approached the FBC Housing Options team seeking social housing accommodation due to a need to leave a controlling marriage. She claimed that she had nothing and was in a desperate

situation. She was housed as a matter of urgency in a Sheltered Housing Scheme.

51. Her son's partner reported that she had not left her husband and had remained living with him, so had never used the Sheltered Housing provided to her.
52. Investigation showed that rent and council tax were being paid from a joint bank account on the two properties and that she was allowing others to use the Sheltered Housing accommodation.
53. When legal papers of eviction were served, she was found cleaning her 'estranged' husband's home. Legal action was not pursued as she handed back the property.
54. The property in question, is now being used to accommodate a tenant who was previously being housed in bed and breakfast accommodation at a cost to the Council.

NATIONAL FRAUD INITIATIVE

55. 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.
56. There has been a new exercise completed since the last report which falls into the 2023/24 financial year, resulting in 4,221 extra matches to review. The majority of these relate to council tax. Progress in reviewing the matches is given in the table on the next page.
57. **NFI Deceased Person Matching Pilot:** As noted in the [Council Tax](#) section above, FBC participated in an NFI pilot exercise which matched Disclosure of Death Registration Information (DDRI) data to the FBC Council Tax data.
58. The purpose of this exercise was to:
 - Help FBC address the fraud risk of Council Tax discounts and exemptions being claimed inappropriately after an individual's death.
 - Mitigate the risk of control gaps in the 'Tell Us Once' service, as relatives/next of kin/executors may elect to not notify the Council or Central Government of a death in order to fraudulently avoid incurring increased charges.
59. The Council Tax to DDRI matches provided by NFI, resulted in FBC receiving a total of five hundred and nineteen matches. Further investigation identified a sound reason for all of these with the exception of 4 cases where the Councils records did not show the deceased person. FBC records have now been updated and Single resident discount awarded where necessary.

Progress made on clearance of NFI matches					
Fraud category	Number of Matches as at end of last year (March 23)	Number of Matches now including all releases up to 31/3/24	Total closed as per last year	Total closed as per this year	Matches left to clear as at 04/24
Matches from the 2023/24 2-Yearly Main Exercise (received from Jan 2023 to March 2024)					
Benefits	14	21	14	21	0
Council Tax Reduction	78	148	77	145	3
Waiting List	19	29	19	29	0
Right to Buy	1	3	1	3	0
Payroll	4	4	2	2	2
Housing Tenants	0	258	0	108	150
Creditors History	116	116	114	116	0
sub-total	232	579	227	424	155
Matches from the Recheck Annual Exercises					
Council Tax to Electoral Register	590	1207	0	0	1207
Council Tax rising 18s	26	84	0	10	74
Council Tax to Other Datasets	1371	3178	0	0	3178
Council Tax to DDRI Deceased Persons	0	519	0	519	0
Council Tax to HMRC Household Composition	0	873	0	101	772
Council Tax (Total)	1987	5861	0	630	5231
Total	2219	6440	227	1054	5386

60. 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, although 4 data errors were found in relation to the deceased persons match as discussed above.

61. More detail of how much fraud and error has been identified from each NFI exercise in the last 11 years is provided in [Appendix A](#).

USE OF LEGAL POWERS

62. 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.

63. 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 IPA applications for communications data are submitted to the National Anti-Fraud Network (NAFN) where they are reviewed and authorised by a NAFN Single Point of Contact (SPOC) before the request for information is issued to the new responsible body OCDA (Office for Communications Data Authorisations).
- 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 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 2023/24.

64. 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 2023/24

65. There was one authorisation granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2023 and 31 March 2024. This related to the acquisition of communications data in a case of suspected non residency. This case was then closed before the data was obtained due to the tenant returning their keys.

66. There have been 135 uses of Authorised Officer powers during investigations in the last 12 months, as detailed in the table below. This compares to 148 last year.

Authorised Officer powers used. April 2023 and 31 March 2024	
Prevention of Social Housing Fraud Act	Council Tax Reduction Regulations & Data Protection Act exemptions
0	135

NEXT YEARS PRIORITIES

67. To ensure that the Council is compliant with the standards outlined by the Government Counter Fraud Profession (GCFP), the Counter Fraud Team have

worked to put together a three-year Counter Fraud Strategy Action Plan covering the period from 2024/25 to 2026/27 (please refer to [Appendix C](#) for further details).

RISK ASSESSMENT

68. 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 2023/24

Appendix C – Counter Fraud Strategy Action Plan (2024/25 to 2026/27)

Appendix D – Anti-Bribery Policy 2023/24

Background Papers: None

Reference Papers: None

Enquiries: For further information on this report please contact Elaine Hammell (Ext 4344) or Shohum Dave (Ext 4386).

Cumulative Findings from National Fraud Initiative Exercises in the last 11 years

Year of Exercise*	Type	No. of Matches	No. of Fraud Cases found	No. of Errors found	Value of Fraud & Error cases
2023/24	Council Tax	3,874	0	4	£0
2023/24	Full Exercise	579	0	0	£0
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.

Annual Fraud Case Figures 2023/24 compared to last year.

Type of Fraud	2023/24			2022/23		
	Investigated	Fraud Concluded	Value	Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	11	1	£30,589	32	2	£3,085
Council Tax Support	79	4	£5,174	96	5	£673
Council Tax	748	106	£7,320	16	4	£996
Business Rates	44	44	£0	16	4	£996
Energy Grants	8	8	£1,200	-	-	£0
Housing	146	7	£105,339	46	2	£0
Procurement	9	0	£0	114	5	£19,189
Member	1	0	£0	-	-	£0
Other	1	0	£0	-	-	£0
SUB-TOTAL	1047	170	£149,623	320	22	£24,939
Other Irregularity	Investigated	Irreg Concluded	Value	Investigated	Irreg Concluded	Value
Employee and Payroll	13	8	£8,560	26	24	£0
Finance and Insurance	1	1	£0	-	-	£0
Other e.g. abuse of position			£0	4	2	£0
SUB-TOTAL	14	9	£8,560	30	26	£0
TOTAL	1061	179	£158,182	350	48	£24,939
Sanctions and Redress						
Administrative Penalties levied			£0			£0
Council Tax Civil Penalties			£980			£140
Housing Benefit recovered			£15,150			£14,293
Business Grants Returned			£0			£722
Unlawful profit order (POCA)			£0			£1,249
Total			£16,130			£16,404
Housing properties recovered / prevented		1			1	
Homeless Assistance prevented		3			0	
Prosecutions (Successful/Taken)		0			1/1	
Non FBC Fraud found (DWP benefits)		2	£72,193		1	£0

Counter Fraud Strategy (2024/25 to 2026/27)

Overarching Strategic Actions

- Finalise the Counter Fraud Responsibility charts,
- Brief the new Manager with responsibility for Count Fraud,
- Embed the new responsibilities within the Counter Fraud Team,
- Complete the data protection impact assessment (DPIA) for the IDIS tool, and
- Review the Councils privacy notices in relation to IDIS and NFI

Detailed Counter Fraud Strategy Plan

Activities to be completed	2024/25	2025/26	2026/27
Policy Framework	<p>Actions to be taken:</p> <ul style="list-style-type: none"> • Updating the FBC Anti Money Launder Policy. • Adding an amendment to the Anti-Fraud and Corruption Policy to show how the Council intends to comply with the failure to prevent fraud offence (part of the Economic Crime and Corporate Transparency act). 	<p>Actions to be taken:</p> <ul style="list-style-type: none"> • Updating the Sanctions and Redress Policy. • Updating the Fraud Response Plan. 	
Fraud Awareness	<p>Actions to be taken:</p> <ul style="list-style-type: none"> • Continuation of annual counter fraud awareness training focusing on key internal teams (e.g., Housing Options, Revenue and Benefits, and Environmental Health). • National Fraud Awareness Week – to carry out internal and external campaigns annually to help raise awareness of fraud amongst Council Officers and members of the public. • Publishing Counter Fraud training modules via the Councils learning platform. 		
Investigation Skills	<p>Actions to be taken:</p> <ul style="list-style-type: none"> • The Senior Auditor and Fraud Analyst will be working to complete an Accredited Counter Fraud Specialist qualification. 		
	<p>Actions to be taken:</p> <ul style="list-style-type: none"> • Develop an ongoing cycle of training for investigation skills for the whole Council. • Work to develop training to target specific fraud skills for each officer of the Counter Fraud Team. 		
Fraud Risk Assessments	<p>Actions to be taken:</p> <ul style="list-style-type: none"> • Finalising the Business Rate Fraud Risk Assessment. • Commence the inter-authority data matching exercise. 	<p>Actions to be taken:</p> <ul style="list-style-type: none"> • Carry out a Housing Options Fraud Risk Assessment. • Identify next data matching opportunities. 	

Activities to be completed	2024/25	2025/26	2026/27
Campaigns	Actions to be taken: <ul style="list-style-type: none"> • Annual Single Residency Discount (SRD) campaign. • Small Business Rate Relief campaign. • Review the results of the National Fraud Initiative (NFI) Council Tax Single Person Discount (CTSPD). 		
National Fraud Initiative (NFI)	Actions to be taken: <ul style="list-style-type: none"> • Submission of biannual FBC Council Tax data to NFI and review corresponding matches. 		Actions to be taken: <ul style="list-style-type: none"> • Submission of biannual FBC Council Tax data to NFI and review corresponding matches.