



Northumberland

County Council

AUDIT COMMITTEE

DATE: 29 MARCH 2023

CORPORATE FRAUD INTERIM REPORT

Report of Cabinet Member: Councillor Richard Wearmouth, Portfolio Holder for Corporate Services

Lead Officer: Kevin McDonald, Head of Internal Audit and Risk Management

Purpose of report

The purpose of this report is to update Audit Committee on Corporate Fraud activity undertaken during the period 1 April – 30 September 2022.

Recommendations

It is recommended that Audit Committee notes and considers the update on work undertaken by the Corporate Fraud Team, as part of Audit Committee's role in maintaining governance oversight of counter-fraud activity as part of the overall framework of governance, risk management and control.

Link to Corporate Plan

The work of the Corporate Fraud Team and the Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan. In particular it supports the "How" priority of the Corporate Plan 2021-24

Key issues

- 1 The Council is committed to providing an effective Anti-Fraud Service, supported by efficient policies and sanctions for those that offend. Counter fraud is the responsibility of everyone in the Council and by ensuring that effective measures are in place to prevent, detect, investigate, and report fraud we can ensure that public money is spent where it should be, on services for the community.
- 2 Failure to investigate fraud will see money leaving the Council by way of fraud or error and failure to tackle this effectively could lead to qualified subsidy claims and loss of revenue for the Council.

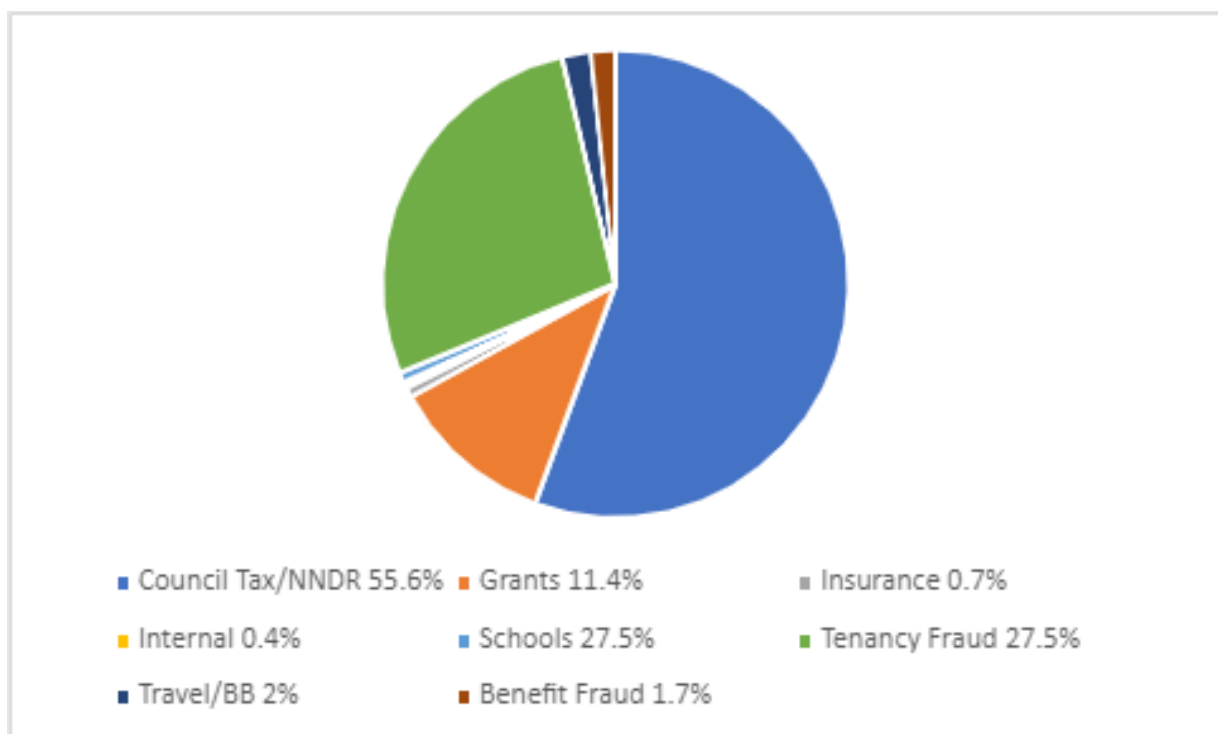
- 3 It is therefore important to demonstrate that resources are focused on fraud reduction and to identify, investigate and rectify administrative weaknesses to provide assurance of the quality and integrity of investigations.

Background

- 4 At the beginning of this reporting period, an interim structure was in place, which consisted of 1 Manager, 2 Investigating Officers, 1 Investigation Support Officer and 1 Admin Officer. Following a formal consultation process, a permanent structure was agreed to include capacity to deliver a 2-year project to review all households receiving Single Person Discount (SPD) on their Council Tax liability.
- 5 Two fixed-term posts were subsequently created, with the successful applicants commencing employment in August 2022. An additional Investigating Officer post was also subsequently created, with the successful applicant commencing employment in January 2023. Following the formal consultation process undertaken, the Corporate Fraud Team transferred from the Revenues and Benefits Service to the Internal Audit and Risk Management Service in December 2022.

Performance April – September 2022

- 6 During this period, 594 referrals were opened and 455 closed. With the exception of the Right To Buy (RTB) verification and the first test run of SPD data matches, these were reactive referrals, where a report of a suspicion of fraud had been received. The chart below reflects the case categories for the 455 referrals closed – Council Tax and Tenancy Fraud are by far the largest areas of investigation, and we have therefore begun targeting proactive work in these areas.



- 7 The team were responsible for achieving fraud prevention, detection, and identification values shown in the table below.

Result Type	Total Achieved	Comment
Housing Tenancy	£0.168m	4 NCC properties were recovered and made available to those in need of secure, affordable housing
Right to Buy & Right to Acquire	NCC £0.849m Karbon £0.0735m Bernicia £0.369m	46 received / 19 withdrawn * 6 Received / 1 withdrawn 29 received / 16 withdrawn
Council Tax	£0.064m £0.011m	Council Tax Support Single Person Discount
Non-Domestic Rates	£0.002m	
Internal / Employee	£0.0081m	
Insurance	£0.0052m	
Covid 19 relief	£0.0706m	This figure includes business grants and self- insulation payments
Housing Benefit	£0.115m	We no longer investigate HB, overpayments are automatically created alongside CTR reassessments
Total	£1.7354m	

Table 1: Investigation Team Performance from 1 April – 30 September 2022

* In addition to the savings outlined above, the 19 properties remain part of our housing stock and continue to generate rental income although no evaluation has been made of the additional income that this will provide for the Council each year.

- 8 Additional external income totalling £0.013m was also generated during the period, as detailed in the table below.

Source	Value	Reason
Administration Penalties	£0.0027m	3 Administration Penalties accepted
Bernicia (RTB)	£0.0087m	29 Applications x £300
Karbon (RTB)	£0.0018m	6 Applications x £300
Total	£0.0132m	

Table 2: Additional income generated from 1 April – 30 September 2022

- 9 With the relaxing of Covid restrictions the Corporate Fraud Team have been able to return to face-to-face interviews and more criminal-focused investigations. This has resulted in us being able to consider relevant sanctions and prosecution. Investigations closed with successful criminal sanctions during the period are summarised in the table below.

Sanction Type	Number	Details
Administration Penalty (Only available for CTS investigations)	3	1 – CTS overpayment. Joint working case with DWP 1 – Tenancy Fraud & CTS. Property recovered and CTR overpayment. 1 - CTS
Caution	1	School Staff – overpayment of wages following end of employment
Total	4	

Table 3: Completed investigations resulting in successful sanctions from 1 April – 30 September 2022

Preventative Measures

- 10 The Corporate Fraud Team have worked with several external and internal departments to help assess their fraud risk and implement measures to deter fraudsters and prevent fraud and error entering the system. It is widely acknowledged that prevention is a far more cost-effective measure to reduce fraud and error than detection, however is far more difficult to measure. A summary of preventative activity undertaken during the period is summarised in the table below.

Partner	Summary of work
Right to Buy Teams - NCC, Karbon and Bernicia	Due diligence and Anti-Money Laundering checks on all NCC and Bernicia applications to ensure properties are only sold to those entitled. Karbon refer their more complex applications for further investigation.
Insurance	Additional investigation into cases progressing to litigation or are of high suspicion.
Accounts Payable, Payroll, Internal Audit	Arranged cybercrime training – how to identify and prevent becoming a victim of invoice fraud and financial frauds.
Action Fraud	Referrals made and worked with Action Fraud in cases of suspected organised fraud.

Partner	Summary of work
Planning and S106 Officers	Reviewed and implemented new and more robust application process for Discounted Market Value sales in the private sector. Provision of ongoing advice and investigation support.
School Organisation and Resources	Reviewed and implemented more robust advice to parents and carers receiving financial support.
Health and Safety Team, Revenues and Benefits Visiting Team	Arranged safety when interviewing training, implemented new staff safety procedures.
Business Grants	Assisted in pre-payment checks and ongoing support with post assurance and debt recovery action.

Table 4: Preventative activity undertaken in partnership from 1 April – 30 September 2022

Single Person Discount (SPD) Project

- 11 A proactive 2-year project launched during this period, with the aim of risk assessing and reviewing all households within Northumberland where SPD is applied to Council Tax liability. The project uses IDIS, our data matching system, and is led by an investigating officer who is supported by two SPD officers. Following review, home visits are being undertaken to households identified as potentially high risk and work is ongoing to develop a process to review households identified as potentially lower risk.
- 12 Following a period of development and training, the launch date for the project was 1 October 2022. Early indications are that the project will meet predicted financial targets, and updates will be provided in future reports to Audit Committee.

Regulation of Investigatory Powers Act 2000 (RIPA)

- 13 Since the last report to Audit Committee, there have been no applications for Directed Surveillance.

IMPLICATIONS

Area	Assessment
Policy	None.
Finance and value for money	Investigations into suspected fraud, corruption and theft help identify financial losses incurred by the Council and assist in the process of seeking recovery of such sums. It also supports the governance framework.
Legal	<p>The County Council has a legal responsibility under the Accounts and Audit Regulations 2015, to ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk.</p> <p>As part of discharging this responsibility, the County council has a responsibility to embed effective standards for countering fraud, corruption and bribery into the organisation. This supports good governance and demonstrates effective financial stewardship and strong public financial management.</p> <p>Audit Committee's agreed Terms of Reference include responsibility for reviewing the assessment of fraud risks and potential harm to the Council from fraud and corruption, and to monitor the Council's counter-fraud strategy, actions and resources.</p>
Procurement	None.
Human Resources	None.
Property	None.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	None. An impact assessment is not applicable as the report does not require a key decision.
Risk Assessment	Work carried out within the scope of this report reduces the risk of financial loss and adverse publicity to the Authority through fraud.
Crime & Disorder	A programme of proactive counter fraud work reduces the potential opportunities for fraud and

	corruption within the Council's activities.
Customer Consideration	None.
Carbon reduction	Hybrid working has reduced the team's carbon footprint. Consideration is also given to combine visits to the same area to reduce the frequency of travel to the same area.
Wards	All.
Consultation	Section 151 Officer

REPORT SIGN OFF

Officer	Full Name
Interim Monitoring Officer/Legal	Suki Binjal
Executive Director of Finance & Section 151 Officer	Jan Willis
Relevant Executive Director	-
Chief Executive	Helen Paterson (Audrey Kingham on behalf of Helen Paterson)
Portfolio Holder(s)	Richard Wearmouth

AUTHOR AND CONTACT DETAILS

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