



Northumberland

County Council

AUDIT COMMITTEE

DATE: 27 SEPTEMBER 2023

CORPORATE FRAUD ANNUAL REPORT

Report of Councillor Richard Wearmouth, Deputy Leader and 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 2022 – 31st March 2023.

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 "Achieving Value for Money" priority of the Corporate Plan 2023-26.

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.

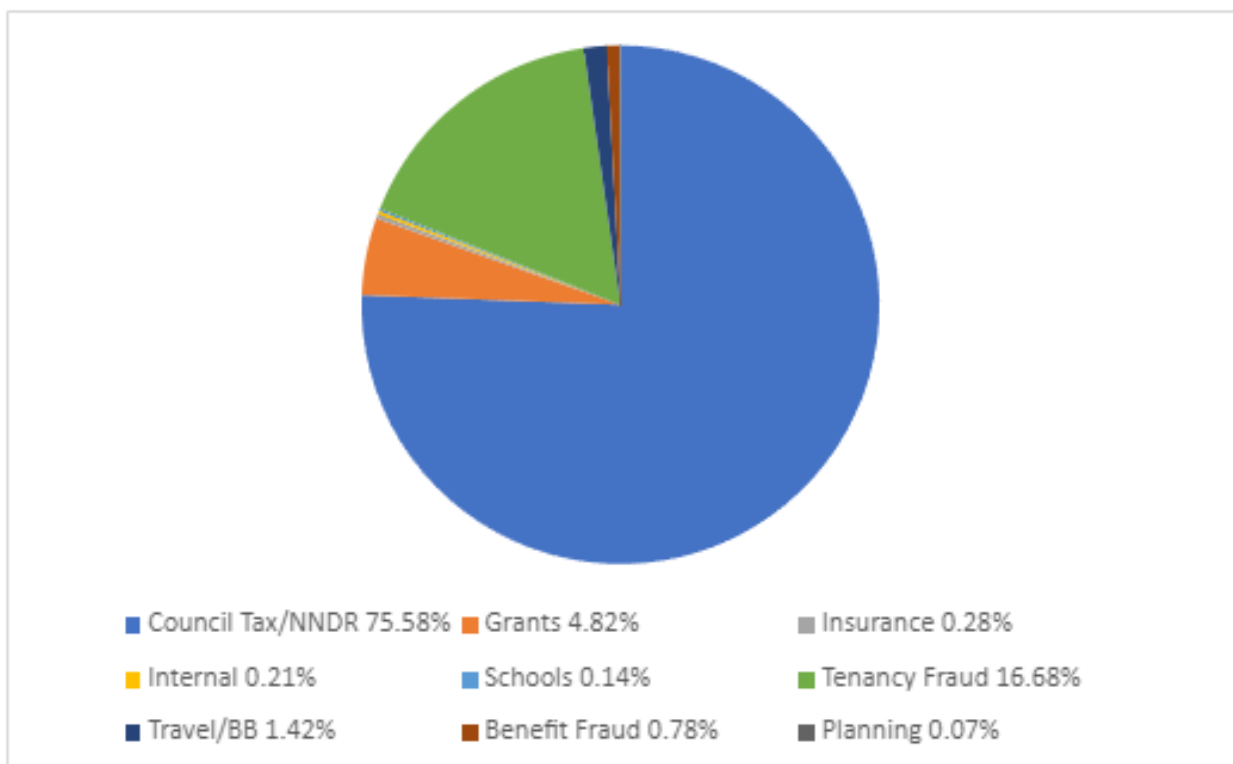
- 3 It is therefore important to demonstrate that resources are focused on fraud reduction and to identify, investigate and rectify administrative weaknesses to provide assurance of the quality and integrity of investigations.

Background

- 4 At the beginning of this reporting period, an interim structure was in place, 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 Investigating Officer post was filled through external recruitment, 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 2022 – March 2023

- 6 During this period, 1,571 referrals were opened and 1,407 closed. With the exception of the Right to Buy (RTB) verification and 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 1,407 referrals closed. Council Tax is by far the largest area of investigation, and a large proportion of these are from the proactive SPD project which launched in October 2022. Further details and results from this project are provided in paragraphs 11 and 12 below.



- 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	£336,000	8 NCC properties were recovered and made available to those in need of secure, affordable housing
Right to Buy & Right to Acquire	NCC £1,467,048 Karbon £735,500 Bernicia £890,927	72 received / 26 withdrawn * 12 Received / 1 withdrawn 55 received / 32 withdrawn
Council Tax	£72,271 £116,204	Council Tax Support / Council Tax Reduction (CTR) Single Person Discount
Non-Domestic Rates	£2,255	
Internal / Employee	£8,133	1 case was closed, overpayment only - decision made not to prosecute 1 - caution and overpayment 1 - caution only, there was an overpayment exceeding £20k but we did not include this a result for the CF team as the overpayment was identified prior to the referral being made to us.
Insurance	£9,704	
Covid 19 relief	£129,276	This figure includes business grants and self- insulation payments
Housing Benefit	£139,561	We no longer investigate HB, overpayments are automatically created alongside CTR reassessments
Total	£3,906,879	

Table 1: Investigation Team Performance from 1 April 2022 – 31 March 2023

* In addition to the savings outlined above, the 26 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 £19,343 was also generated during the period, as detailed in the table below.

Source	Value	Reason
Administration Penalties	£3,743	4 Administration Penalties accepted
Bernicia (RTB)	£16,500	55 Applications x £300
Karbon (RTB)	£3,600	12 Applications x £300
Total	£19,343	

Table 2: Additional income generated from 1 April 2022 – 31 March 2023

- 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 applicable in CTS investigations)	4	1 – Council Tax Support (CTS) overpayment. Joint working case with DWP 1 – Tenancy Fraud & CTS. Property recovered and Council Tax Reduction overpayment. 2 - CTS
Caution	2	Both were school staff. 1 overpayment of wages following end of employment 1 overpayment of wages following a reduction in hours
Total	6	

Table 3: Completed investigations resulting in successful sanctions from 1 April 2022 – 31 March 2023

Preventative Measures

- 10 The Corporate Fraud Team have worked with several internal departments and external bodies 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	<p>Due diligence and Anti-Money Laundering checks on all NCC and Bernicia applications to ensure properties are only sold to those entitled.</p> <p>Karbon refer their more complex applications for further investigation.</p>
Social Housing	<p>Looking to commence proactive work relating to social housing.</p> <p>In early conversations to provide fraud awareness training and an investigation function to external partners.</p>
Insurance	Additional investigation into cases progressing to litigation or 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, attended by 51 NCC staff.
Action Fraud	Referrals made and worked with Action Fraud in cases of suspected organised fraud.
Planning and S106 Officers	<p>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.</p> <p>Between 28/11/22 - 31/3/22 43 applications received via the new enhanced verification process of these 5 were rejected as applicant failed to provide the necessary verification or were found to be ineligible.</p>
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.
Fraud Awareness Training	We are designing a fraud awareness package to deliver to NCC staff and members.

Partner	Summary of work
NCC Fraud Risk Assessment	Work currently being finalised to identify and assess fraud risks across service areas within the County Council. This assessment is aiming to identify the risks and the measures already in place to mitigate the risks, to identify proactive priorities for Corporate Fraud resource.

Table 4: Preventative activity undertaken in partnership from 1 April 2022 – 31 March 2023

Single Person Discount (SPD) Project

- 11 A proactive 2-year project launched in October 2022, with the aim of risk assessing and reviewing all households within Northumberland where SPD is applied to Council Tax liability. Approximately 36% of households (56,000) within Northumberland receive Single Person Discount.
- 12 The project uses our data matching system IDIS and is led by an investigating officer who is supported by two SPD officers. Following review of the matches, home visits are undertaken to households identified as high risk. A process to review the medium and low risk matches has been agreed and roll out is expected to commence later this year.
- 13 During this reporting period data was extracted and matched for the following Parishes, which amounted to around 6,200 households, 10% of the total SPD households in Northumberland -
- Pegswood
 - Widdrington Station
 - Ellington
 - East Chevington
 - Newbiggin by the Sea
 - Widdrington Village
 - Lynemouth
 - Stannington
 - Tritlington
 - Ulgham
 - Togston
 - Seaton Valley (* majority of the results for this Parish were not recorded until after this reporting period and therefore not included in this report)
- 14 The results from this project are included in the table at paragraph 7 but can be further broken down to highlight the success of this project. The SPD financial result yielded from this project during the period October 22 – April 23 is £0.1m.
- 15 We are constantly looking to add value to this project and our SPD officers are now also actively aware of other issues when out visiting and have made several reports and referrals relating to:
- Housing Fraud - sublets/abandoned properties,
 - Benefit Fraud
 - Highways – Street lighting, potholes, uneven paving which will in turn assist with insurance claims.

- Debtor tracing
- Safeguarding
- Benefit uptake,
- Council Tax discounts/disregards

Regulation of Investigatory Powers Act 2000 (RIPA)

16 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
Monitoring Officer/Legal	Neil Masson obo Stephen Gerrard
Executive Director of Transformation & Resources (s151 Officer)	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Helen Paterson
Portfolio Holder(s)	Richard Wearmouth

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