

AUDIT & ACCOUNTS COMMITTEE
30 SEPTEMBER 2020

COUNTER-FRAUD ACTIVITIES FROM 1 NOVEMBER 2019 TO 31 AUGUST 2020

1.0 Purpose of Report

1.1 To inform Members of counter-fraud activity undertaken since the last update reported on 27 November 2019.

2.0 Background Information

2.1 An element of the role of the Audit & Accounts Committee is to provide assurance to the Council that its anti-fraud arrangements are operating effectively. In order to do this, counter-fraud activity reports are brought to the Committee twice a year. These reports detail the number of cases detected, amounts lost, the outcome of cases and amounts recovered, together with any other counter fraud work that has been undertaken.

3.0 Counter Fraud Detection

3.1 The Housing Benefit fraud team was transferred to the Fraud and Error Service at the Department for Works and Pensions on 1 December 2015.

3.2 Any housing benefit cases identified as potentially fraudulent are referred to the Fraud and Error Service at the DWP for investigation.

3.3 Referral procedures have been established and since 1 December 2015, **212** potentially fraudulent claims for housing benefit have been referred to the Fraud and Error Service for investigation. Of these 32 cases have been confirmed as fraud and sanctioned by the DWP.

4.0 Other Counter-Fraud Work

4.1 As part of the Council's response to the COVID-19 Pandemic, grants have been given to Businesses through the Governments Small Business and Retail, Hospitality and Leisure grant schemes. A data matching exercise has been conducted through the National Fraud Initiative and of 2,272 grants, 749 were flagged as requiring a review. To date 528 of these have been reviewed and 3 have been recorded as a potential fraud. Action is currently being taken to retrieve those funds.

4.2 ICT have also been involved in several pieces of work in order to reduce the risk of fraud:

- PCI-DSS Compliance - Reducing the risk of fraudulent activity between card payment operators (tills, telephony and automated) and the card holder. An external QSA has provided support on compliance to Newark and Sherwood District Council for assurance.

Areas currently outside of SAQ A rating (SAQ A – no card holder data stored in the environment) is the telephony system, however a telephony replacement report will be provided to P&F with recommendations for PCI complaint phone system.

- Phishing Simulations - Simulated phishing or a phishing test is where deceptive emails, similar to malicious emails, are sent by an organisation to their own staff to gauge their response to phishing and similar email attacks.
- Cyber awareness training - Explains the technical aspects of cyber security in ways that are relevant to staff, so that they can help keep their organisations (and themselves) safe from cyber-attack.
- Updating and patching internal and external facing systems from vulnerabilities - An insider threat is a malicious threat to an organization that comes from people within the organization, such as employees, former employees, contractors or business associates, who have inside information concerning the organization's security practices, data and computer systems

5.0 The National Fraud Initiative (NFI)

- 5.1 The National Fraud Initiative (NFI) is a data-matching exercise where electronic data is collected from numerous agencies including police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The data collection is carried out by the Cabinet Office and is reviewed for any matches that might reveal fraudulent activity. e.g. a record of a person's death exists, but that person is still claiming state pension. The potential matches are sent to individual bodies for investigation to check if there is another, innocent explanation. Most data sets are currently submitted every two years, apart from single person discount data which is submitted every year.
- 5.2 During 2019/20 1,418 Council Tax the single person discount awards were investigated. Of the matches generated by NFI, 173 cases of suspected fraud were identified amounting to £55,115.03.
- 5.3 In addition to this a further exercise was done at the beginning of 2020 which identified a further 60 cases of suspected fraud amounting to an additional £17,226.39.
- 5.4 The 2020/21 exercise commenced in February 2020 following the release of single person discount matching data. This exercise comprises of Accounts Payable, Payroll, Personal Alcohol licences, Taxi drivers licences, Right to buy, Housing tenants, Housing waiting list, Housing benefits, Council Tax reduction scheme, Single person discounts and the Electoral roll. Due to the impact of Covid 19 limited work has been undertaken in the investigation of the matches – this will be picked up during the rest of this year.

6.0 Future Counter Fraud Work

- 6.1 Discussions have taken place with Assurance Lincolnshire in relation to producing a virtual training session, which will highlight areas of fraud that officers should be aware of. This will remind officers of the "red flags" that they should be mindful of, and what action should be taken where these flags are noticed. It is anticipated that this would be deployed in Q3 of this financial year.

7.0 Equalities Implications

7.1 There are no equality implications, as all cases of fraud and error are investigated, regardless of the characteristics of the persons involved.

8.0 Financial Implications (FIN20-21/7127)

8.1 Overpayments can be a serious drain on the Council's resources, whether due to fraud or error. Work undertaken to prevent and detect fraud and error and to reclaim overpayments can support the Councils' budget at a time of funding cuts.

8.2 Funding for counter-fraud work can be found from savings made in the cost of external and internal audit.

9.0 RECOMMENDATION

That Members note the content of the report.

Reason for Recommendations

To promote a strong counter-fraud culture, it is important that Members are aware of the Council's response to fraud and the results of any actions taken.

Background Papers

Fighting Fraud & Corruption Locally Strategy – available on the Council's website

For further information please contact Nick Wilson, Business Manager - Financial Services on Ext 5317

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