7.   FRAUD ANNUAL REPORT
   (DoF)

1   **Summary**

1.1   This report informs members of the work of the Fraud Section for the financial year 2019 to date and provides updates on progress and developments.

2   **Details**

2.1.1   The Council has a zero tolerance of fraud and corruption.

2.1.2   Minimising fraud and irregularity is essential to ensure resources intended to provide services are maintained. Fraud is a crime that affects everyone. According to the annual fraud tracker which provides the latest set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, £7.8bn of which is specifically in local government. Shown below is the estimated volume of fraud detected by category nationally.

        The harm caused by fraud is not just financial: it damages local communities, can cause reputational damage and a loss of confidence amongst the public, stakeholders and have an adverse effect on staff morale.
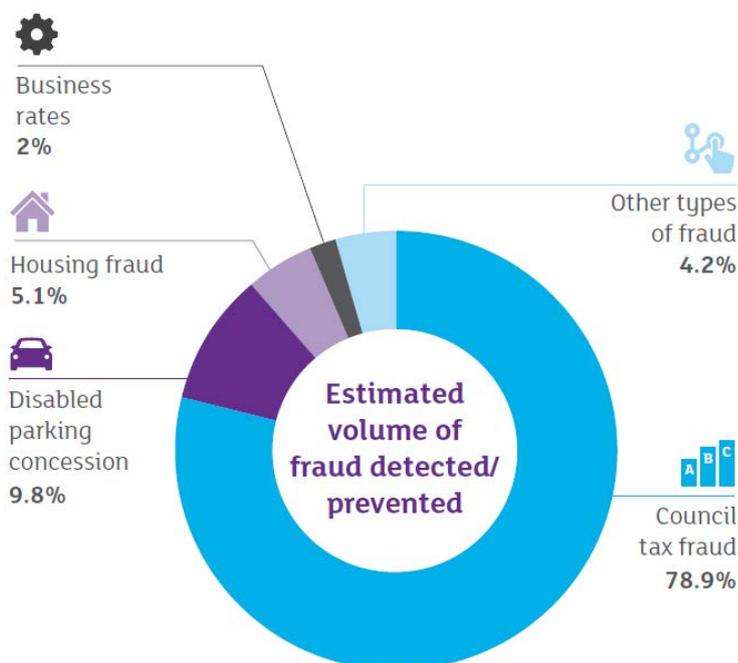
2.1.3   It is vital therefore that we have a strong anti-fraud culture underpinned with effective counter-fraud policies and good practice procedures. The Councils fraud and corruption E learning training has again been refreshed to reflect emerging risks. The Councils Regulation of Investigatory Powers Act 2000 (RIPA) policy also has also been updated to reflect changes to the statutory mechanism for authorising covert

surveillance. For information the Council may only authorise the use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable by a maximum term of at least 6 months imprisonment or are related to the underage sale of alcohol and tobacco or nicotine inhaling products. Furthermore, where officers now conduct online monitoring or investigation covertly for the purpose of a specific investigation and is likely to result in the obtaining of private information about a person or group, an authorisation for directed surveillance must now be considered. Authorising officers within the Council continue to receive specific training. Guidance is available with the policy on the intranet.

2.1.4 The Council has a responsibility to protect the public purse through proper administration and control of public funds. It is recognised we must have effective core arrangements and tools in order for us to be effective and recognise the challenges we face. These include prevention and deterrence, investigation and detection, recovery and redress and openness and transparency. Minimising fraud and irregularity is a continual process for everyone.

Fraud does not fit neatly within geographical boundaries of the Council. Therefore the fraud team have an important role in collaborative working involving the exchange of information and intelligence between the Council and other agencies on national and local fraud and corruption activity. This may also include responding to requests for information, providing the necessary evidence and witness statements to prevent and detect crime. It is also within the Council a centralised best practice hub. We further are currently reviewing the Councils use of data and intelligence gathering across all services to encourage more innovation and collaboration where synergies exist for information gathering. This will provide better use of intelligence gathering using legal gateways and reduce threats of legal challenges. The types of data available is exhaustive from a number of legal gateways.

2.1.5 The Council is committed therefore to providing a proportionate and efficient value for money anti-fraud service which understands and acknowledges our fraud risks. We must have efficient policies, have sanctions in place for those that offend and that reflect legislative changes and continually strengthen existing and new partnerships. Countering Fraud is the responsibility of everyone.

2.1.6 The Fraud Section is part of the Finance Service with Watford. The details below apply to both councils unless otherwise stated.

2.1.7 In respect of Council Tax Reduction, a local legal framework is in place to define who is entitled to the reduction and to reduce fraud from entering the system at inception. It is an integral part of the administration that everyone is aware and vigilant of the risks. Unfortunately, however good the administration of benefits is, it is always likely fraud will enter the system by deliberate acts.

2.1.8 During 2019/20 the Fraud Section issued 38 sanctions. These include prosecutions, cautions and financial penalties.

2.1.9 In 2019/20 a total of 179 investigations were completed.

2.1.10 Of these investigations where a customer is suspected of committing an offence they are interviewed under caution by officers. These interviews are digitally recorded interviews in accordance with the Police and Criminal Evidence Act 1984. The majority take place in the Council offices with many conducted in Police stations or other organisations with which we collaborate. Generally, those conducted in a

Police station are after the customer has been arrested and a search of their premises has been conducted

2.1.11 In 2019/20, a total of 206 referrals for investigation were made. Each referral is risk assessed based on a number of factors before proceeding to investigation. A referral breakdown of the major contributors is shown is shown below;

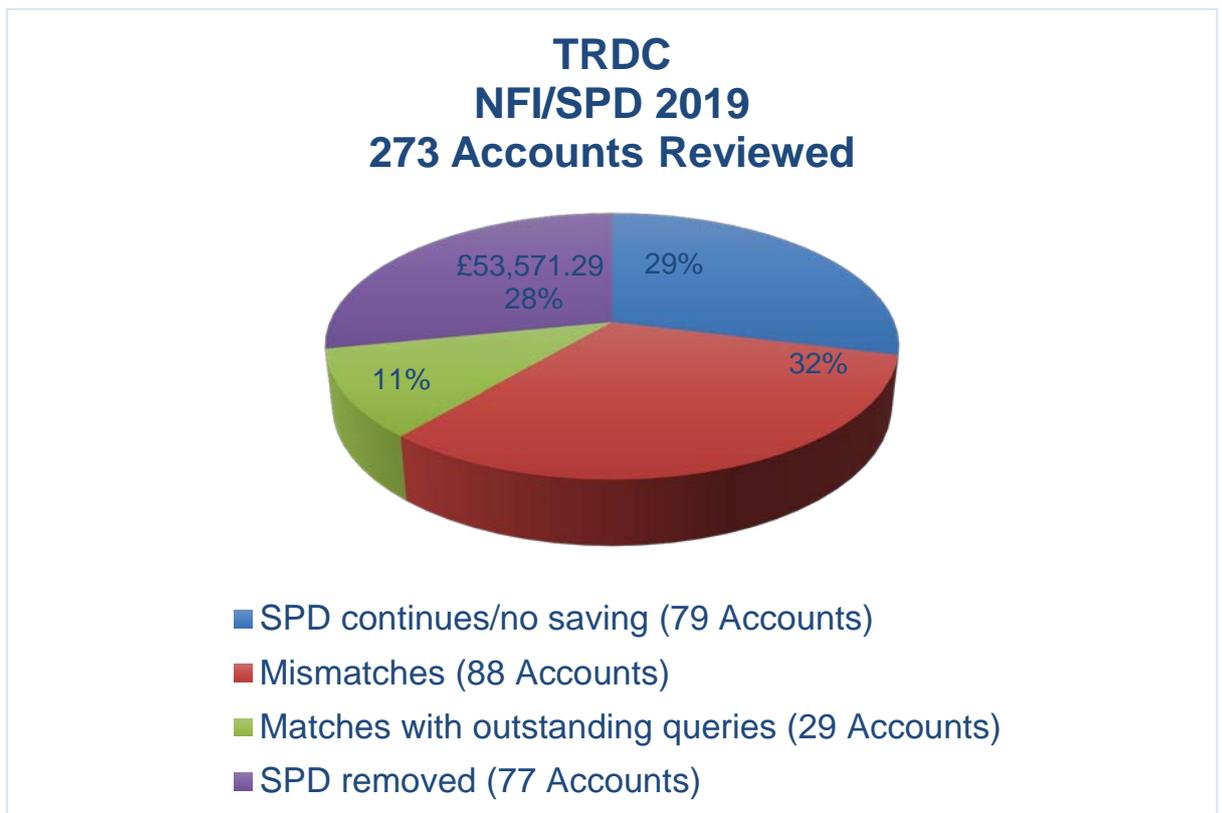| Information Source	
Internal Council Departments	26
External sources including Police	22
Fraud Hotline and anonymous letters	43
Website referral	84

2.1.12 Overpayments in 2019/20 attributable to investigations relating to council tax reduction and consequential housing benefit adjustments amounted to £45,691.
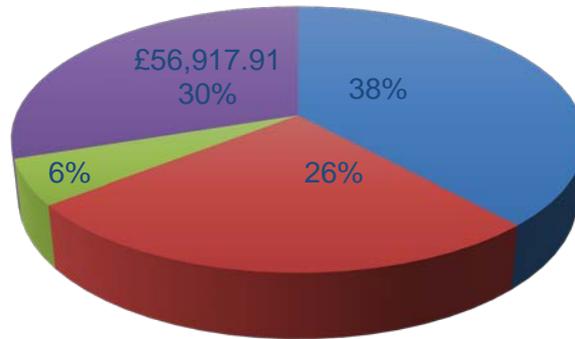
Data Matching

2.1.13 The service continues to take part in data-matching exercises. These include the National Fraud Initiative (NFI) which is facilitated by the Cabinet Office with preparations ongoing for the next match scheduled for 2020. It is an exercise that brings together a wide range of organisations, working together to tackle fraud using techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. Participants of the NFI include 1200 organisations that include for instance other local authorities, police authorities, NHS bodies etc. These matches are not just confined to fraud but also include erroneous payments in respect of creditors and payroll. Examples of some matches are shown below;

Data Match	Possible fraud/ error
Council Tax payments to payroll records, student loans, taxi drivers	Claiming discounts or reductions by failing to disclose an income
Payroll records to records of failed asylum seekers and records of expired visas	Obtaining employment while not entitled to work in the UK
Council Tax records to electoral register	A council tax payer gets single person's discount and has not declared other persons living in the property
Payroll records to other payroll records	An employee is working for TRDC/WBC but has employment elsewhere that is not declared.
Immigration matches	To identify instances where the person may not be entitled to benefit because of their immigration status.
Housing waiting lists	To identify possible cases where an individual appears to be resident at two different addresses. For example where an address differs from the one they have declared on their waiting list application

2.1.14 Additional data mining is continuing in respect of Single Persons Discount (SPD). Data matching/mining allows us to better target existing and new frauds with increased volume and frequency of data. Embracing new technologies and techniques improves detection. SPD is available to Council Tax payers who are the only countable adult, over the age of 18, living at their property. People who qualify for the discount have their Council Tax bill reduced by 25%. We match Council Tax records against a variety of other data and identify addresses where the householder is in receipt of Single Persons Discount on the basis that they live alone yet intelligence suggests there is at least one other person aged 18 or over in the household.

2.1.15 The 2019 SPD data matching exercise identified combined savings of £110,489 for Three Rivers DC and Watford BC, broken down as follows:

**TRDC
NFI/SPD 2019
273 Accounts Reviewed**

- SPD continues/no saving (79 Accounts)
- Mismatches (88 Accounts)
- Matches with outstanding queries (29 Accounts)
- SPD removed (77 Accounts)

WBC
NFI/SPD 2019
348 Accounts Reviewed

£56,917.91
30%
38%
6%
26%

- SPD continues/no saving (133 Accounts)
- Mismatches (91 Accounts)
- Matches with outstanding queries (19 Accounts)
- SPD removed (105 Accounts)

2.1.16　These figures do not include estimates of the ongoing losses that would have occurred if the wrongly claimed discounts hadn't been identified and removed.

All wrongly claimed discounts have to be repaid in full. In addition 51 civil penalties were issued amounting to £3570. A civil penalty is to be applied when a council tax payer fails to notify the council that an exemption or discount should have ended, or if they have deliberately provided false information to the council.

Other

2.1.17　The Fraud Section continues to work collaboratively with many organisations including the DWP, the Police, Immigrations and Border agencies and other local authorities. It is vital in terms of being efficient to work jointly with other partners and not in silos.

2.1.18　Work continues on proactive Blue Badge exercises. The statistical information estimates that 20% of badges issued are misused. This includes badges that are forged, stolen, renewed after a person has died and simply misused sometimes without the badge holders knowledge.   Whilst the loss in parking revenue may be assessed as quite small, the individual harm caused is significant. Fraudulent use of Blue Badges causes inconvenience and direct detriment by depriving an individual in genuine need and entitlement to disabled parking facilities. It may also have a reputational damage to the Council. The penalty if prosecuted for blue badge abuse generally is a level 3 fine for which the maximum penalty is £1,000. Some drivers are cautioned and some badges seized. Only the most serious cases are prosecuted.

2.1.19　For the period 2019-20 13 individuals received a sanction for Blue Badge misuse - 9 cases were prosecuted and 4 matters received a caution.

2.1.20　The cabinet office reported that blue badge misuse had increased reversing a

previous trend. This statistic in my opinion may of course be a consequence of improved methods in tackling misuse. It is estimated that the national monetary value associated with Blue Badge misuse and fraud has increased from £13.2m to £18m (Department for Transport 2018).

2.1.21   In 2019/20 officers dealt with breaches of tree preservation orders (TPO) in respect of a number of trees that had been damaged following building works. Following extensive enquiries and interviews the matter proceeded to prosecution. The company responsible pleaded guilty to damage and destruction to protected trees contrary to the Town and Country Planning Act 1990   The company was fined with prosecution costs being awarded to the Council amounting to £7,255.

3   Options and Reasons for Recommendations

3.1   The purpose of this report is to inform Members of the work of the Fraud Section for 2019/20.

4   Policy/Budget Reference and Implications

4.1   The recommendations in this report are within the Council's agreed policy and budgets. The relevant policy is entitled Anti Fraud and Corruption Strategy and was agreed on 10 July 2012(CL41/12).

None specific.

5   Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

5.1   None Specific.

6   Recommendation

6.1   That Members note the content of this report

Report prepared by: Garry Turner, Fraud Manager

Data Quality

Data sources:

Fraud management system Incase

Data checked by: Garry Turner, Fraud Manager

Data rating:

1	Poor	
2	Sufficient	✓
3	High	

Background Papers

Cipfa Counter Fraud Centre

APPENDICES / ATTACHMENTS

None