



North Hertfordshire District Council

Anti-Fraud Report 2019/20

Recommendation

Members are recommended to:

- Review the Councils work to combat fraud in 2019/20
- Review the performance of SAFS in meeting its KPIs in 2019/20

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1 Introduction and Background

Introduction

This report provides details of the work undertaken to protect the Council against the threat of fraud as laid out in the Council's Anti-Fraud Action plan for 2019/20. The Committee are asked to note this work.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is aware of its own fraud risks and is finding ways to mitigate or manage these effectively wherever possible.

These reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020s published in partnership by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Credit Industry Fraud Avoidance Service (CIFAS), the Local Government Association (LGA) and the Society of Local Authority Chief Executives (SOLACE) in March 2020. This is the first time that such a publication has had this level of support across the counter fraud in local government. See **Appendix A** for a copy of the Strategy.

Perspectives on Fraud- Insights from Local Government. In 2019 CIPFA commissioned a survey and round table events for senior managers in local government to establish what local authorities were doing to tackling fraud. The survey was conducted by an independent body with the support of LGA & MHCLG.

CIPFAs *Fraud and Corruption Tracker 2019* indicates that fraud risks had increased since 2016 but that counter fraud capacity within councils had reduced, and would continue to do so, placing local government at even greater risk.

The Governments *United Kingdom Anti-Corruption Strategy 2017-2022* includes the vision and priorities for dealing with and reducing the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

1. Background

- 1.2 According to reports from CIPFA, the National Audit Office (NAO), Cabinet Office, and the private sector, fraud risk across local government in England exceeds £2.billion each year, with some more recent reports indicating levels considerably above this.
- 1.3 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have issued advice and best practice guidance to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver savings through prevention.
- 1.4 It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of identified fraud.
- 1.5 North Hertfordshire District Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has received detailed reports about the creation of SAFS and how this service works closely with the Councils Internal Audit Service.

2. SAFS Activity 2019/20 & Delivery of the 2019/20 Anti-Fraud Plan

The Plan

- 2.1 This committee reviewed and commented on the Councils Anti-Fraud Plan for 2019/20 at its meeting in March 2019. A copy of the Plan can be found at **Appendix B**.
- 2.2 The plan was proposed by SAFS and agreed and approved by senior officers within the Council. Delivery of the plan is very much a partnership between officers across the Council with key roles and SAFS providing expertise and operational support where required.
- 2.3 We are very pleased to report that all actions proposed for the 2019/20 Anti-Fraud Plan were all achieved with one exception which has no impact on the Council directly. Delivery of the plan can be found at **Appendix C**

Staffing

- 2.3 The SAFS Team (in April 2019) was composed of 18 accredited and fully trained counter fraud staff and is based at Hertfordshire County Councils offices in Stevenage.

- 2.4 Each SAFS partner receives dedicated support by the allocation of officers to work exclusively for each partner whilst allowing all officers within the Team to work with different partners from time to time. Providing the service this way allows officers to develop good working relationships with council officers whilst providing resilience and flexibility across the partnership as a whole.
- 2.5 In 2019/20 SAFS deployed one member of staff to work for the Council. This officer was supported by SAFS management and the SAFS intelligence team, data-analytics and an Accredited Financial Investigator. SAFS officers have access to Council offices, officers and systems to conduct their work
- 2.6 As part of the Councils Anti-Fraud Plan for 2019/20 a number of KPIs were agreed for SAFS to measure its performance and these are shown below.

KPI	Measure	Target 2019/2020	Reported Performance	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Fees to SAFS £81.6k. 70 cases investigated with a value of £190k in savings or recoverable losses. Board reports show that NHDC receives added value from its membership of SAFS	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/AFI/Management) B. 3 Reports to Audit Committee. C. SAFS Attendance at Champions Meetings	A. FTE in post B. FARC reports provided July & Dec 2019 and March 2020. C. Meetings take Place and SAFS also part of the Governance Group	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	A&B Current performance 1 day on average for all referrals	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN B. Membership of CIPFA Counter C. NAFN Access/Training for D. 5 Fraud training events.	A&B. NAFN/ CIPFA Membership. C. NAFN training offered via HR. D. Training events being organised with HR for 2020.	Deliver additional services that will assist in the Council in preventing fraud across all services
5	Allegations of fraud received. & Success rates for cases investigated.	A. 100 - Fraud referrals from all sources to SAFS B. 60% of cases investigated identify fraud	A. 77 B. 69% (48 from 70 cases closed)	To measure the effectiveness of the service in promoting the reporting of fraud by staff and & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Implement the Herts FraudHub. B. Support NFI 2018/2019 Reports.	A. Contracts signed and data being uploaded . B. Progress Good with resolving output	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

Fraud Awareness and Reported Fraud

- 2.7 A key aim for the Council is to create an anti-fraud culture, that encourages senior managers and members to consider the risk of fraud when developing policies or processes to prevent fraud; deters potential fraud; encourages staff and the public to report fraud where it is suspected.
- 2.8 The Council’s website includes pages on how fraud affects the Council <https://www.north-herts.gov.uk/home/benefits/report-fraud>. The website has links for the public to report fraud and to the SAFS webpage. The SAFS webpage in turn provides further information on fraud, the latest news stories as well as options for the public to report fraud.
- 2.9 Council staff can use the same methods to report fraud, or they can report fraud directly to SAFS staff working at the Council. Working with the Councils HR service SAFS have delivered an e-training package linked to the Councils policies, to raise awareness of the risk of fraud & corruption, bribery and anti-money laundering.
- 2.10 During 2019/20 SAFS received 77 allegations of fraud affecting Council services.

Table 1. Types of fraud being reported (in year):

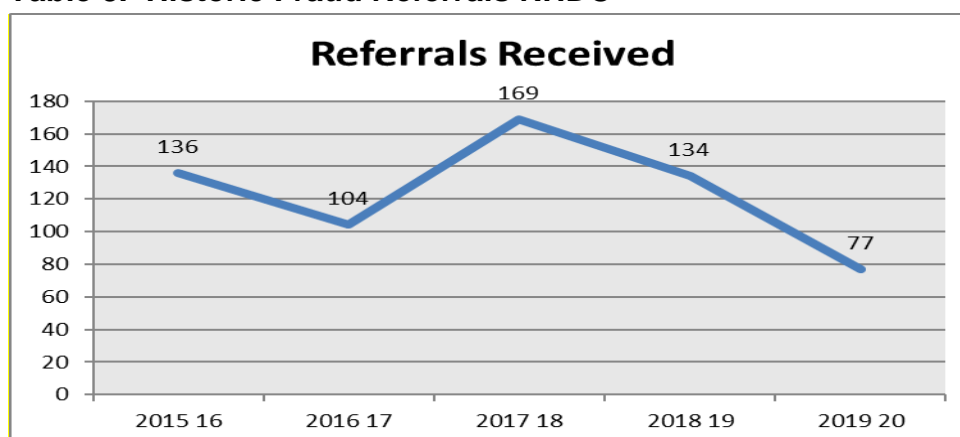
Council Tax Discount/ Housing Benefit	Housing	Blue Badge Abuse	Other	Total
68	3	2	4	77

Table 2. Who is reporting Fraud

Fraud Reported by Staff	Reports from Public	Data- Matching/ Proactive Investigations	Other	Total
24	44	8	1	77

- 2.11 In comparison to some other SAFS Partners, and historic fraud allegations received by the Council, the volume of reported fraud in 2019/20 has reduced significantly since 2015. SAFS are reviewing collated data across all partners to see identify the reason for this trend.

Table 3. Historic Fraud Referrals NHDC



Investigation and Prevention Activity

- 2.12 At this time many cases raised for investigation are still in the early stages. However, of the 70 cases investigated and closed in the year where fraud or error was identified recoverable losses of £163,000 and savings (through prevention) of £31,000 were reported. See **Appendix D** for a breakdown of all cases reported and investigated in 2019/20. At year end 45 cases remained under investigation.
- 2.13 As well as the financial values identified SAFS has worked with the Revenue and Benefit Service to apply financial penalties as alternatives to prosecution, where fraud has been committed by people claiming Council Tax Discounts or Housing Benefit. Such penalties were applied on 16 occasions in 2019/20, raising around £5,000 in new revenue for the Council.

Case study 1:

A referral was made following a review of the claimant's Council Tax Reduction (CTR) claim in January 2019, where Council officers suspected that the claimant held undisclosed capital. The claimant lived in a flat in Kimpton and had claimed CTR based on a low income and limited savings. SAFS enquiries revealed a total of 15 accounts held since the start of the CTR claim in April 2013. The capital in these accounts was in excess of £16,000 from April 2013 to January 2016, reaching a little over £91,000 at its' peak. In interview, the claimant stated he did not know he needed to declare ISAs and similar accounts due to these being tax free. An overpayment for CTR was created of £3,000 as a result of the undeclared savings and other capital. It was felt a financial penalty was the most appropriate means to close the case along with repayment of the £3,000 unpaid council tax.

- 2.14 The vast majority of the investigation work for SAFS involves housing benefit or council tax discounts and SAFS works very closely with officers from the Council and the Department for Work and Pensions to ensure that all these cases are jointly worked in accordance with the National framework where appropriate. Three of these cases were referred to the DWP/CPS for prosecution in 2019/20 where evidence of serious offending had been obtained.

Case study 2:

An allegation was received that a claimant of Housing Benefit (HB) & CTR living in Letchworth had undeclared bank accounts and capital. Open source enquiries linked the claimant to his own company. Local enquiries also showed the claimant had been in receipt of benefits for 10 years at various addresses throughout the North Herts area. His claim was ended in 2018 when he failed to respond to a review letter. Enquiries were made with the banks and a total of 12 accounts were uncovered. These accounts held over £16,000 in capital from June 2013 to the end of his claim. During the life of his claims the claimant had only ever declared 3 of these accounts to NHDC and always with balances totalling less than the £16,000 capital limit. Based on the evidence collected overpayments for HB & CTR totalled £44,854. The case has been referred to the CPS for a joint prosecution with the DWP.

- 2.15 SAFS continues to work with Catalyst & Settle, two social housing providers with stock in North Hertfordshire, providing an anti-fraud service linked to the misuse of social housing.

Case Study 3:

Settle Housing reported that a tenant of a flat in Letchworth was living/working abroad and sub-letting their accommodation to other people during their absence.

SAFS took an interest for NHDC as there was SPD/CTR in payment to the tenant during the period of the alleged absence.

Home Office records showed that the tenant had spent a significant amount of time outside of the UK. Witness statements were also obtained from the neighbours, who remembered seeing different people entering and leaving the flat using a key.

NHDC reviewed the evidence and ended the claims for CTR and SPD, creating overpayments of around £600.

Settle Housing were advised so that they could action regarding any tenancy breaches.

- 2.16 SAFS assist the Councils Civil Enforcement Officers (CEOs) in the prevention, detection and prosecution of blue badge misuse in the Councils car parks. This is achieved through joint patrols by SAFS Officers and CEO's, and by enabling the CEOs to report misuse where they suspect it. In 2019 officers from the Council and SAFS engaged in a countywide blue badge abuse campaign which resulted in several badges being inspected and seized for misuse.

Case Study 4: NHDC Press Release March 2019.

North Hertfordshire District Council (NHDC) Parking Services team recently carried out a joint operation with Hertfordshire County Council's Shared Anti-Fraud Service to tackle the improper use of blue badges.

In one morning alone, Officers found that 40 percent of badges inspected in Hitchin were being misused. Blue Badges are given to disabled people to park close to their destination, allowing them to live independently and go about their daily lives more easily. Using a Blue Badge fraudulently is a crime that can carry a fine of up to £1,000 and confiscation of the badge.

The badge is for the sole use of the person named on it. It must only be displayed if the badge holder is travelling in the vehicle as a driver or passenger. The badge may not be used by other people to carry out an activity on behalf of the badge holder, such as shopping or collecting something for them, unless the badge holder is travelling with them.

- 2.17 In November 2019 the Councils Communication Team, along with other SAFS Partners, took part in the *International Fraud Awareness Week* through a social media campaign explaining to the public the impact of fraud on the Council's finances as well as how the public can protect themselves against fraud.
- 2.18 Although the Council did not make use of the Council Tax Review Framework in 2019/20 it did in the previous years and plans to do so in the current year meeting its SLA requirements for this contract.
- 2.19 The Council has complied with the statutory requirement of the National Fraud Initiative (NFI) 2018 with the output from this received in February 2019. The NFI is a national anti-fraud exercise conducted by the Cabinet office every two

years across local and central government. These statistics are in addition to these reported above and in **Appendix D**.

Table 3. NFI Activity

Total Matches received 2018/19	High Priority Matches	Matches Reviewed	Matches Not Actioned or OS at 31.3.2020	Total
1,302	292	1,040	262	£17,458

- 2.20 In May 2019 the SAFS Partnership won the award for ‘Overall Contribution’ to combatting fraud from the Fighting Fraud and Corruption Locally Board at its annual conference hosted by CIPFA and in December 2019 won the ‘Outstanding Partnership’ at the inaugural Tackling Economic Crime Awards.

TECAs Awards December 2019

The winners of the first-ever Tackling Economic Crime Awards were announced on Monday 9th December at the Sheraton Grand London Park Lane where 250 representatives from the financial crime sector were in attendance. The winners were selected from an esteemed panel of judges and the awards were presented in 13 categories to public, private and third sector organisations and individuals who had made a significant impact in desisting all areas of economic crime.

Professor Martin Gill, founder of the TECAs, commented:

“It’s a great honour to be able to play a part in recognising the achievements of so many outstanding players in this sector. All the finalists and especially the winners should be proud. The judging process is strict and robust; each judge marks independently against a set of criteria, and they commit to declaring any conflict of interest. Each entry must achieve a fixed score threshold to become a finalist, ensuring consistent quality across the competition; which means all the finalists – individuals, teams and companies represent outstanding performance of the highest level.”

Outstanding Partnership – Hertfordshire Shared Anti-Fraud Service

The Hertfordshire Shared Anti-Fraud Service (SAFS) deals with the growing threat of fraud to local government. Set up in 2015, the partnership utilises local government funding to increase effectiveness in preventing and detecting fraud. The partnership includes seven councils across Hertfordshire and Bedfordshire and a number of social housing providers. The SAFS team members are all fully accredited and trained. The service has received 4,000 fraud referrals in the last four years and successfully investigated more than 1,500 individual cases, been responsible for 60 successful prosecutions and recovered more than 90 social homes as well as saving in excess of £15m in public funds across numerous council services.

3. SAFS Internal Audit 2019/20

- 3.1 It was agreed by the SAFS Board that in 2019/20 the Service would part of a Joint Review Audit, as part of the Shared Internal Audit Service (SIAS) 2019/20 Audit Plan, for all SAFS partners. The primary aim of the review was to provide assurance that the key objectives of SAFS are being achieved.
- 3.2 The final report for the 2019/20 Internal Audit Review of the Shared Anti-Fraud Service conducted by SIAS/BDO was provided to the SAFS Board on 27 May 2020. SAFS Management was very pleased to receive a ‘Good’ level of

assurance from this report and the positive feedback provided by board members.

4. Transparency Code- Fraud Data

4.1 The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.

4.2 The Code also recommends that local authorities follow guidance provided in the following reports/documents:

CIPFA: *Fighting Fraud Locally Strategy*

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118508/strategy-document.pdf).

The National Fraud Strategy: *Fighting Fraud Together*

(<https://www.gov.uk/government/publications/nfa-fighting-fraud-together>)

CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*

(<http://www.cipfa.org/->

[/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf](http://www.cipfa.org/-/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf))

4.3 The Code requires that Local Authorities publish the following data in relation to Fraud. The response for *North Hertfordshire District Council* for 2019/2020 is in **Bold**:

- 3 Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.

Nil. (The Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and makes use of the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf.

- 4 Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.

1.5 FTE

- 5 Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.

1.5 FTE

- 6 Total amount spent by the authority on the investigation and prosecution of fraud.

£81,600

7 Total number of fraud cases investigated.

70 Cases investigated and closed in year

4.4 In addition, the Code recommends that local authorities publish the following (*for North Hertfordshire District Council Fraud/Irregularity are recorded together and not separated*):

- Total number of cases of irregularity investigated-

See 7 above

- Total number of occasions on which a) fraud and b) irregularity was identified.

42 (45 cases remained under investigation at year end)

- Total monetary value of a) the fraud and b) the irregularity that was detected.

£163,000 of fraud losses & £31,000 of fraud savings identified in year. A further £17,000 saved as a result of NFI 2018/19.