



North Herts Council

Anti-Fraud Report 2021/22

Recommendation

Members are recommended to:

- Note the Councils work to combat fraud in 2021/22
- Note the performance of SAFS in meeting its KPIs in 2021/22
- Note the Progress with delivering the Anti-Fraud Plan for 2022/23

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Appendix A – SAFS/NHDC Anti-Fraud Plan 2021/2022.

Purpose

1. This report provides details of the work undertaken by the Council and the Shared Anti-Fraud Service to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2021/2022. It also provides a brief update on work to date in 2022/23.

Background

2. Recent national reports and papers provided to Council Officers are used by the Shared Anti-Fraud Service (SAFS) to ensure that the Council is aware of new and emerging fraud risks as well as those established/known risks. This helps to mitigate or manage all fraud risks through a programme of work including the Council's Annual Anti-Fraud Plan. Details of these reports, along with other recommended reading for Members, can be found below and at **Section 51** of this report.

3. Some of the most significant recent reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020's. This strategy focuses on the governance and 'ownership' of anti-fraud and corruption arrangements. The Strategy also identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud. The checklist is maintained and reviewed by SAFS and Officers.

Tackling Fraud in the Public Sector 2020. 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 and MHCLG.

COVID-19 Counter Fraud Measures Toolkit. The Government Counter Fraud Function within the Cabinet Office provided a 'toolkit' of services, guidance, support for local government as part of the national response to the Covid-19 outbreak in the UK.

Calculating Losses from Tenancy Fraud. Since the closure of the Audit Commission in 2012 there has been no concerted effort to put a value on the cost to local authorities of tenancy fraud. This paper, published by the Fraud Advisory Panel & Charity Commission in 2021, estimates that the cost to local government for each social property that is detected as being sub-let is £42,000.

4. According to reports from CIPFA, 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 higher than this.
5. The Cabinet Office, Department for Levelling Up, Housing and Communities (DLUHC), National Audit Office, and CIPFA have also issued advice, and best practice guidance to support local councils in the fight to combat fraud and prevent loss to the public purse. This includes the need for all councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver tangible savings.
6. It is essential that the council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
7. North Herts Council is one of the founding members of the Shared Anti-Fraud Service (SAFS) and Members of this committee have received regular reports since 2015 about how the service deals with all aspects of fraud from prevention & deterrence to investigation & prosecution, working with staff at all levels across the Council.

Delivery of the 2021/2022 Anti-Fraud Plan

2021/2022 Plan

9. In March 2021 this committee approved the Anti-Fraud Plan for 2021/2022 which was developed with council officers in partnership with SAFS. A copy of the Plan can be found at **Appendix A**.
10. The Plan includes resources and costings for its delivery, and activity to protect the council from fraud. The plan includes a copy of the latest Fighting Fraud and Corruption Locally Strategy and Key Performance Indicators (KPIs) for SAFS which were agreed with senior officers. KPI performance can be found in **Table 6** below.
11. The Anti-Fraud Plan for 2021/22 was designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) by adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue. The plan identifies officers and members who are charged with delivering it.
12. In 2021/2022 the Council adopted the FFCL checklist as a 'To-do' list to assist in identifying weaknesses in its anti-fraud defences and a method to provide assurance to senior leaders and elected members about the effectiveness of the Council's anti-fraud activity. We will use the checklist as the backbone of the Council's anti-fraud plans from 2022/23 on-wards, adding additional actions/objectives as they arise or become relevant for North Herts Council.

Staffing

13. The SAFS Team (in April 2021) was composed of 20 accredited and trained counter fraud staff and is based at Hertfordshire County Council's offices in Stevenage.
14. Each SAFS Partner receives dedicated support and response, which is achieved by allocating a number of staff to work exclusively for each Partner but also allowing officers within the Team to work across Partners from time to time. Providing the Service in this way allows SAFS staff to develop good working relationships with council officers as well as improved resilience and flexibility across the Partnership. SAFS staff have access to council offices, officers and systems to conduct their enquiries.
15. For 2021/22 SAFS deployed 1 FTE (in line with the plan) to work exclusively for the Council supported by SAFS Management and Support Team based at

Stevenage. The Support Team includes specialists in data-analytics, financial investigations and Intelligence Officers.

16. SAFS officers are all fully trained and accredited and members of, or working towards membership of, the Government Counter Fraud Profession. The Profession is divided into specialisms including awareness training, fraud risk assessment, investigations, intelligence, data-analytics and fraud management.

Fraud Awareness and Reported Fraud

17. A key objective for the Council is to continue developing its existing anti-fraud culture; ensuring senior managers and members consider the risk of fraud when developing policies or processes; helping to prevent fraud occurring; deterring potential fraud through external communication; encouraging all officers to report fraud where it is suspected; and providing public confidence in the Council's stance on fraud and corruption. In 2021/2022, working closely with SAFS, Council officers reviewed several anti-fraud policies to update them in line with the latest best practice.
 18. The Council's website has links for the public to report fraud by email, telephone or using the SAFS online reporting service. As well as encouraging the public to report any suspected fraud to the Council:
www.north-herts.gov.uk/report-fraud
The SAFS webpages include latest news, alerts and reports on fraud cases as well as a fraud reporting service.
www.hertfordshire.gov.uk/fraud
 19. Council staff can use the same methods to report fraud or if they work within Housing, Revenues & Benefits Services they can report fraud directly to SAFS staff working at the Council.
 20. SAFS delivered training to staff via remote/virtual means during 2021/2022 including general fraud awareness, use of the services provided by National Anti-Fraud Service and new services provided by the Cabinet Office as part of the National Fraud Initiative.
 21. The e-training module on fraud and bribery is available for staff and a new version of this began development in 2021 and will be completed by the summer of 2022.
- #### SAFS and Covid-19 Fraud 2021/2022
22. SAFS ability to conduct investigations in 2021/22 continued to be affected by Government lockdowns during the year. The service remained in a good position to work from home, as the IT infrastructure and working practices were already in

place. The impact on our work resulted from the restrictions when working with others.

- The DWP Fraud and Error Service, who we work with on many cases, redeployed all counter fraud staff to the frontline delivery of Universal Credit. These staff only began to return to normal duties, in limited numbers, from early 2022.
- We were hampered in accessing the data held by our Partner Councils where we did not have remote access to systems. We have now improved our remote access to many Council systems.
- Council staff were focused on the local responses to the Covid pandemic and we saw 'business as usual' fraud reporting decline.
- We had to put special measures in place to interview witnesses or the subjects of investigations due to the lock-down/social distancing restrictions.
- In addition to this the courts dealing with civil and criminal matters had a backlog of cases due to their enforced closures in 2020/2021 and limited capacity in 2021/2022.

23. During the pandemic we felt that the SAFS role around prevention should be the priority for the service and the imposition of 'sanctions' were suspended as they could be counterproductive. We made a decision to resolve most low-level fraud by closing cases and sending advisory or compliance letters to customers. More serious allegations of fraud or those needing immediate attention would be prioritised and, cases that met this threshold, but could not be dealt with quickly, should be 'overloaded' (the allegations were recorded, but any further action suspended until a later date when appropriate resources could be released) for review post lockdown.

24. SAFS provided support with all of the grants schemes administered by Council officers, as well as undertaking data-cleansing exercises providing pre and post payment assurance. SAFS provided guidance to Council officers dealing with the various grant schemes on the services provided by NAFN, CIFAS and the Cabinet Office. SAFS conducted investigations where fraudulent applications for grants appeared to have been made and worked closely with Council officers to resolve these.

Case Study 1: *An allegation was received by SAFS that the owner of a business in Royston, had applied for a Covid-19 grant in January 2021, stating his business had been forced to close due to lockdown.*

The grant was paid, but it was then uncovered by the SAFS investigation that the business was not eligible to receive the grant as the circumstances declared by the business owner were false.

The Business owner has been asked to repay the grant by North Herts Council.

25. SAFS provided enhanced and more frequent alerts about mandate / phishing frauds from national bodies including Cabinet Office, CIFAS/CIPFA/NFIB, Police and NAFN.

Case Study 2. *An alert received from the National Anti-Fraud Network in 2021 indicated that a well know national business concern had had its 'identity' stolen by an organised crime group (OCG) and the details used to commit a substantial Covid Grant Fraud against a number of Councils across the country.*

As the OCG was based abroad and much of the money obtained as a result of the fraud moved rapidly through mule bank accounts to accounts outside the UK/Europe, local councils were asked to share any suspected fraud by the OCG using the same MO.

SASF shared this alert with Council officers who identified a very similar fraud using the similar business details- it later transpired that the original OCG had 'sold-on' the companies details to other criminal actors.

A review of the data held by North Herts Council of the grant application submitted and incorrectly paid resulted in an immediate report to SAFS. SAFS Accredited Financial Investigator was able to identify and freeze an account in the UK. The intel was passed to national agencies, but as this appeared to be separate fraud and not inked directly to the initial alert SAFS were authorised to conduct their own enquiries and recover any monies left in UK bank accounts.

SAFS worked with the banks and the Home Office to close a mule bank account and recover the £25k grant paid by North Herts Council and a further £25k grant paid by a second authority outside Hertfordshire. All sums have now been returned to or are in the process of being returned to Government.

26. SAFS maintains its working relationship with the shared Internal Audit Service and HR teams. The excellent working relationship with the Council's legal team continues, including work on criminal litigation and policy review.

Reactive and Proactive Fraud Investigation

27. In 2021/2022 SAFS issued fraud alerts on more than 20 occasions to Council officers/departments. These alerts covered areas such as the vulnerability to

cybercrime for home working staff, new and emerging scams and spams, 'impersonation' or CEO frauds and the increased threat of fraud caused by the Council/Government response to the ongoing Covid pandemic.

28. SAFS receives weekly/monthly/ad-hoc updates on new threats from a variety of sources including National Anti-Fraud Network (NAFN), National Cyber Security Centre (NCSC), National Intelligence Service (NATIS), City of London Police & National Fraud Intelligence Bureau (NFIB-national lead on fraud and cyber-crime for policing and part of Action Fraud), London Fraud Forum (LFF), Credit Industry Fraud Avoidance Service (CIFAS), CIPFA, Hertfordshire Constabulary (including OWL) and Trading Standards.
29. During 2021/2022 SAFS received 91 allegations of fraud affecting council services (a decrease from the 101 in 2020/2021 and continuing the downward trend since 2017).

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

Council Tax Discount Fraud	Housing Benefit/CTR Fraud	Tenancy/Housing	Covid Grants/Business Rates	Other *	Total
11	46	17	8	9	91

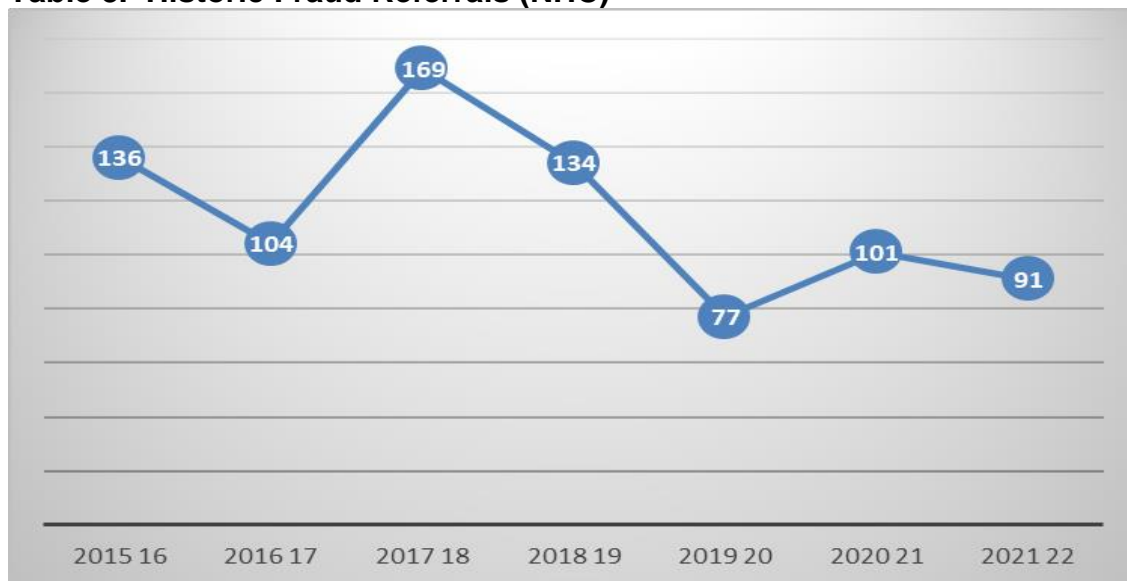
*Other includes Blue Badge/Mandate etc.

Table 2. Who is reporting fraud:

Fraud Reported by Staff	Reports from Public	Data-Matching/Proactive Investigations	Other Agencies	Total
34	48	9	0	91

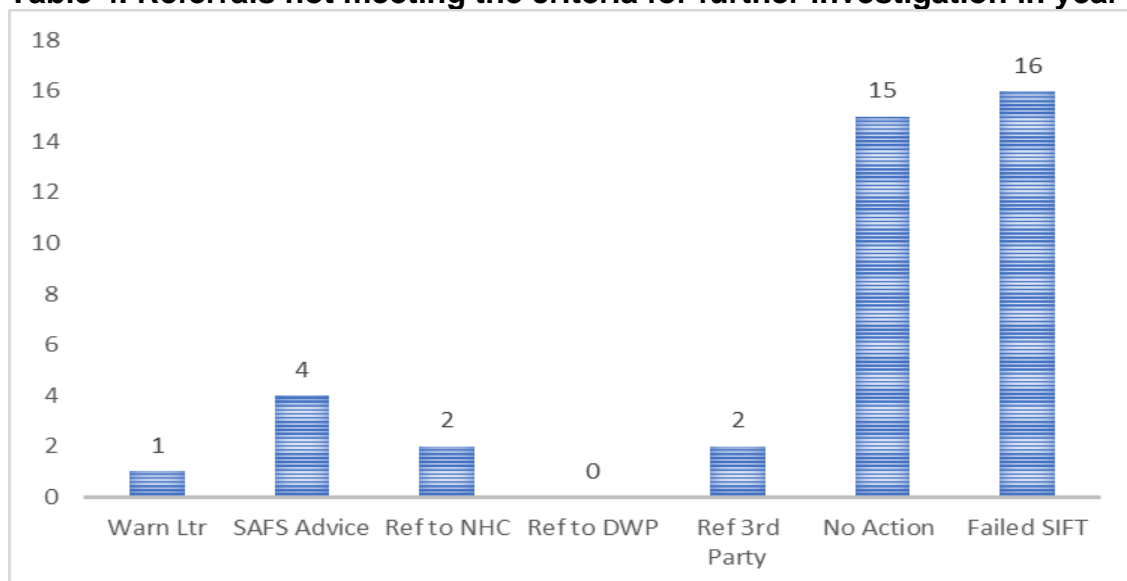
30. We continue to work with the Councils Communication Team to issue publicity encouraging the public to report fraud and help protect public funds, as well as press releases of cases investigated/prosecuted by the Council. The Council takes part in *International Fraud Awareness Week* in November each year.

Table 3. Historic Fraud Referrals (NHC)



31. It should be emphasised that not every referral/allegation will need to be investigated and some allegations can be false/misleading or simply incorrect. Every referral is risk assessed and sifted by the SAFS Intelligence Team to determine what further action should be taken with each. 40 of the allegations received for the Council in 2021/22 did not meet the criteria for further investigation.

Table 4. Referrals not meeting the criteria for further investigation in year



32. 'Failed Sift' is where the allegation cannot be attributed to any service provided by the Council. 'No Action Required' are referrals where the subject can be identified, but no error/fraud is apparent, or the Council is already aware of the facts reported

in the allegation. Referrals that are passed to 'DWP', 'NHC' or to 3rd parties occur where another agency is best placed to investigate the matter. 'SAFS Advice' is where some guidance/advice/support has been provided to Council officers, but a full investigation is not required. Warning Letters are used in low value/risk cases to remind residents of their duty to report changes or not act in a particular way.

33. In addition to the referrals that did not require investigation 16 cases involving alleged housing benefit or council tax fraud were resolved through compliance activity or review. This resulted in the identification of £11.5k in additional savings for the Council. These lower-risk cases would previously have become full investigations taking up valuable resources.
34. At this time many cases raised for investigation are still in the early stages. However, of the 27 cases investigated and closed in year (an increase from 17 in 2020/2021) 22 identified fraud - with recoverable losses of £117k, and fraud 'savings' (through prevention) of £82k reported. Senior officers are provided with a breakdown of which services have been affected by fraud and the outcomes from individual investigations, as well as recommendations on lessons learned for future deterrence/prevention where fraud has occurred.
35. At year end of March 2022 40 cases remained under investigation with an estimated fraud loss of just over £174k.

Table 5. Fraud Investigations Closed Each Year (NHC)



36. As well as the frauds detailed above, SAFS works with a number of social housing providers across the County, including 'settle Group', providing

resources to investigate alleged misuse or sub-letting of social housing within SAFS Partner boundaries.

Case Study 3: *settle Housing approached SAFS for assistance in investigating the alleged sub-let of a one of their properties in Letchworth.*

SAFS enquiries confirmed sub-tenants were living at the address, paying £600 per month to the tenant of settle. It was also shown that the tenant had spent a lot of time abroad.

The Tenant was interviewed, when he admitted having 'lodgers' in his property to help him with the rent. He denied sub-letting the whole of the property and claimed that he returned to his country of birth regularly for medical treatment and to visit his wife and 2 young children.

settle have issued a notice to evict the tenant for breach of his tenancy agreement,

When the property is recovered it will be re-let to a family from the Councils Housing Register.

37. The majority of fraud referrals received from the public relate to housing benefit or council tax reductions/discounts. SAFS and the Councils Revenues and Benefits services work closely with each other and, on occasion, with the DWP Fraud and Error Service (FES), to investigate allegations of this nature.

Case Study 4: *Originally referred in 2020, this case was placed in 'overload' due to the need to work with DWP. A data-matching exercise indicated that a Letchworth resident, claiming various benefits, had failed to declare changes in their circumstances.*

A review with DWP in 2021 showed that the resident had been in receipt of JSA since 2010, along with CTR and HB from 2013 to date as a single person. An additional adult was linked to his address via a 'National Fraud Initiative' match which also showed multiple employers for the additional adult since 2013.

These employers were contacted, who all provided the subject address for the additional adult. Nationwide Bank also further confirmed bank accounts and credit cards were linked to the address and had been since 2013 for the same person. Bank statements showed that the second person was paying bills, utilities and other items for the residents address.

The resident declined to be interviewed and the evidence obtained was shared with the DWP. A decision was made that the resident had been living with an undeclared partner, who was in paid employment, as if they were a 'married' couple since 30/04/2013. Overpayments of Job Seekers Allowance, Housing Benefit, Council Tax have all been calculated between 2013 and 2021.

38. SAFS works closely with Hertfordshire Constabulary sharing information, fraud alerts and intelligence to assist in preventing fraud or investigating fraud where it

is suspected. We work with or for other organisations who may have close relationships with the Council and we facilitate joint working between SAFS Partners where it benefits them to do so.

39. SAFS supported the Council in its compliance with the National Fraud Initiative (NFI) matches received in January 2021. The NFI is a national anti-fraud data sharing exercise conducted by the Cabinet Office every two years across local and central government. In Feb 2021 the Council received 1,124 matches for review as part of the 2020/21 NFI exercise. Of these matches 540 were indicated as high priority and in all Council Officers reviewed 972 of the matches reported identifying £11,600 in fraud loss/savings combined. SAFS officers reviewed a further 129 matches relating to Council Tax and identified a further £5,800 of fraud savings.

SAFS KPI Performance 2021/22

40. As part of the Councils Anti-Fraud Plan for 2021/22 a number of KPIs were agreed with SAFS to measure its performance, and the return on investment from this shared service. These targets and performance against them are shown below.
41. With the exception of 4D all PI Targets were met in 2021/22. Explanations are provided for the failure in the KPIs highlighted.

Table 6. SAFS KPIs for 2021/2022 and Performance

KPI	Measure	Target 2021/22	Performance
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.	Regular meetings take place with members of the Councils senior leadership team. The Councils Service Director: Resources sits on the SAFS Board SAFS reports are provided to its Board, and the Councils Finance Audit & Risk Committee.
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 Corporate Governance, Champion meetings, team management meetings.	A. 1 SAFS FTE in place for 2021/2022, supported by SAFS Mgt and Intel Services. B. Reports to AC in May & Dec 21 & March 22. C. SAFS works closely with 'Service Champions' across the Council and sits on the Council Corporate Government Group.
3	Action on reported fraud.	A. All urgent/ high risk cases 1 Day. B. All other cases 2 Days on Average.	A & B. All referrals responded to within 24 hours on average.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 10 Training events for staff/Members in year.	A. NHC has membership of NAFN and PNLD licence via SAFS. B. SAFS is a member of CIPFA via HCC. C. Training has been provided to staff by SAFS and NAFN webinars. D. Only a small number of training events were delivered in 2021/22 for officers in Housing, Revenues Benefits and Finance. Some were team events other via Teams or offered as webinars.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported.	A. All referrals are logged onto the SAFS CMS and details from this reported to NHC Officers. B. The outcomes of all cases are captured on the CMS and reported to Partners and Board.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2020/21 Output and reports across services. B. Consider other areas where the better use of data will benefit the Council financially.	A. NFI Exercise complete with, a full review by the Council B. NHC has been making use of the Herts FraudHub in early 2022 and this has resulted in 9 cases being reported for investigation by SAFS.

2022/2023 Anti-Fraud Activity

42. The 2022/2023 Anti-Fraud Plan was approved by this Committee at its March 2022 meeting. This Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Locally Strategy for the 2020s*. The Plan also includes assurance that

the council benefits from a positive return on its investment in the SAFS Partnership.

43. Training has already been delivered to new and existing staff in Housing Services on fraud awareness and reporting. Training is planned for staff in legal, finance, housing, procurement through September and October on the Councils updated Anti-Money Laundering policy.
44. SAFS is working with officers across the Council providing support and training in preparation for the 2022/2023 NFI exercise which will require that data is submitted Council to the Cabinet Office in October 2022.
45. Between April and July 2022 a further 23 allegations of fraud have been reported to the Council/SAFS, 31 cases remain open with an estimated value of £104k, 13 cases have been closed and fraud losses/savings combined of £73k recorded. Three social housing properties have or are being recovered at present.
46. A further report will be provided to Members on all activity being undertaken to prevent the Council suffering significant losses due to fraud in December 2022.

Transparency Code – Fraud Data

47. 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.

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

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)

49. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for North Herts Council for 2021/2022 is in **Bold**:

- 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 the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf).

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

1.5 FTE

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

1.5 FTE

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

£85,165 (SAFS fee)

- Total number of fraud cases investigated.

27 Cases investigated and closed in year

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

- Total number of cases of irregularity investigated-

See above -

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

23 Occasions where fraud/irregularity identified

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

**Reactive - £119k fraud losses reported, £73k fraud prevented +
£17,400 from NFI 2020/21.**

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

Not recorded separately

List of Background Papers - Local Government Act 1972, Section 100D

51. (a) *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*
(b) *Fighting Fraud and Corruption Locally a Strategy for the 2020's (CIPFA/CIFAS/LGA)*
(c) *Tackling Fraud in the Public Sector (CIPFA 2020)*
(d) *Guide to Understanding the Total Impact of Fraud (International Public Sector Fraud Forum 2020)*
(e) *Fraud in Emergency Management and Recovery (International Public Sector Fraud Forum 2020)*
(f) *COVID-19 Counter Fraud Measures Toolkit (Cabinet Office 2020)*
(g) *Local Authority Covid-19 Business Support Grants Fact Sheet (Government Counter Fraud Function 2020)*
(h) *Fraud and Corruption Tracker 2020 (CIPFA)*
(i) *United Kingdom Anti-Corruption Strategy 2017-2022 (HMG 2017)*
(j) *Code of Practice – Managing the Risk of Fraud and Corruption (CIPFA 2014)*
(k) *CALCULATING LOSSES FROM HOUSING TENANCY FRAUD (Tenancy Fraud Forum 2021)*
(l) *A Guide to the European Union AML/CFT Framework (ComplyAdvantage.com 2022)*