



North Herts Council

Finance Audit & Risk Committee

Anti-Fraud Report 2022/23

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 2022/2023.

Recommendations

2. **Members are RECOMMENDED to:**
 - a) **Note the activity undertaken by the Shared Anti-Fraud Service to deliver the 2022/2023 Anti-Fraud Plan for the Council.**
 - b) **Note the other anti-fraud activity undertaken to protect the Council.**

Background

3. National reports and papers continue to be used by the Shared Anti-Fraud Service (SAFS) to ensure that the Council is aware of new and emerging fraud threats as well as those established/known risks. This helps to mitigate or manage the Council's fraud risks through a programme of work including the Anti-Fraud Plan. Details of these reports, along with other recommended reading for Members, can be found below and at **Section 53** of this report.

4. 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.

Fraud Risk Management Guide. Published in March 2023, this international guide from COSO, in the USA, and the Association of Counter Fraud Examiners lays out the case for fraud risk assessments to help organisations understand their risks so that they can plan to manage and mitigate these.

Lost Homes, Lost Hope. This paper, published by the Fraud Advisory Panel & Tenancy Fraud Forum in April 2023, uses previous data and research to estimate the current cost to local government of tenancy fraud along with the volume of fraud in this area across the sector.

5. 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, but no detailed research in this area has been undertaken for a number of years.

6. The Public Sector Fraud Authority (Cabinet Office), Department for Levelling Up, Housing and Communities (DLUHC), National Audit Office, and CIPFA all continue to issue advice, and best practice 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.
7. It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies and a response to deal with the investigation and prosecution of identified fraud.
8. North Hertfordshire District Council (North Herts Council/the Council) is a founding member of the Shared Anti-Fraud Service (SAFS). Members of this committee, and the Senior Leadership Team have received regular reports since then detailing how SAFS works closely with the Shared Internal Audit Service (SIAS), dealing with all aspects of fraud/corruption/money laundering from prevention & deterrence to investigation & prosecution, working with staff at all levels across the Council

Report - Delivery of the 2022/2023 Anti-Fraud Plan

2022/2023 Plan

9. In March 2022, this committee approved the Anti-Fraud Plan for 2022/2023 developed with Council officers in partnership with SAFS. A copy of the Plan can be found at **Appendix 1**.
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 1** below.
11. The Anti-Fraud Plan for 2022/23 was designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL), adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue. The Plan identifies officers and members who are charged with delivering it.
12. 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 Councils anti-fraud activity. We continue to use the checklist to inform the Councils Anti-Fraud Plan for 2023/24, adding new actions/objectives as they become relevant.
13. Members will note that the Audit Committee has a continuing role in ensuring that the Council meets its objectives.

Staffing

14. The SAFS Team (in April 2022) was composed of 22 accredited and trained counter fraud staff and is based at the County Council's offices in Hertford.

15. Each SAFS Partner receives dedicated support and response and for 2022/23 this was 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.
16. For 2022/23, SAFS planned to deploy 1 FTE to work exclusively for the Council supported by SAFS management and specialists in data-analytics, training, communications, financial investigations, and intelligence.
17. All SAFS officers are all fully trained and accredited and members of the Government Counter Fraud Profession. The Profession is made up of various streams including awareness training, fraud risk assessment, investigations, intelligence, data-analytics, and investigation management.

Table 1. SAFS KPIs for 2022/2023 and Performance

KPI	Measure	Target 2022/23	Performance 2022/2023
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.	Report to SAFS Board in June/Sep/Dec/March. Service Director: Resources sits on the SAFS Board, and meets with SAFS Mgt regularly to review work, and call in support as needed.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit & Standards Committee in year. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	A. 1 FTE available throughout the year. B. Reports to FARC in September 2022 and December 2022 and March 2023. C. SAFS has close working with relationship with R&B and Housing Services. Regular liaison is taken place with senior management. SAFS Mgt sit on the CEG.
3	Action on reported fraud.	A. All urgent/ high risk cases 24 hours from receipt. B. All other cases 2 working days on Average. C. Sharing of Fraud Alerts- within 2 working days. D. Dissemination of non-HBC referrals to 3 rd parties within 2 working days (Police/HMRC/DWP/NCSC/B3L)	A. All urgent cases were resolved within 24 hrs. B. Non-urgent referrals took 1-day on average to respond to. C. Fraud- Alerts were shared, but there were some delays with meeting the 2-day target in 22/23. D. Referrals to 3 rd parties, including DWP, occurred within 2 days.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. Access to CIFAS best practice/guidance/fraud alerts D. NAFN Access/Training for relevant Council Staff. E. 5 Training events for staff/Members in year. F. Money Laundering Reporting Officer	A. SAFS funds the Councils licences with NAFN & PNLD. B. SAFS has access to CIPFA CF Centre. C. SAFS Officers sit on BSWP for Local Government Group and London OFIG. D. SAFS and Council staff made use of NAFN E. SAFS delivered 6 training events to staff and Members in year. F. MLRO support is in place with policies agreed by officers.
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 outcomes reported. C. All 'sanctions' imposed in line with Council policies/ legislation	A. This is happening daily as referrals received B. All cases are logged, managed, and reported on SAFS case management system (CMS) and all reports use the data from the CMS. C. Any sanctions offered or considered in compliance with Council policies.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output/reports across services. B. Consider other areas where the better use of data will benefit the Council financially. C. Develop and extend the use/capacity of the Herts-FraudHub for HBC.	A. SAFS officers ensured upload of data in line with Cabinet Office deadlines and both SAFS and Council officers worked on the output from NFI 2022/23. B. This includes work to review live NDR/SBRR data held by the Council & County Wide CTax Framework. C. Live data was loaded into the Hub. Work on cleansing the data has been problematic, and the focus of our work on the NFI exercise became a priority in 2022/23.

Fraud Awareness and Prevention

- 18.** A key objective for the Council is to continue developing its anti-fraud culture, ensuring senior managers and elected 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.
- 19.** The council's website has links for the public to report fraud by email, telephone or using the SAFS online reporting tool. As well as encouraging the public to report any suspected fraud to the Council:
www.north-herts.gov.uk/report-fraud
www.hertfordshire.gov.uk/fraud
Both the Council and SAFS webpages include reports of fraud cases that have been investigate or prosecuted.
- 20.** Council staff can use the same methods to report fraud or if they work within the Revenues and Benefits Service, Customer Services, Housing Services they can report fraud directly to SAFS staff that work closely with those service areas.
- 21.** SAFS delivered training via both face-to-face and virtual means during 2022/2023 including general fraud awareness, use of the services provided by National Anti-Fraud Service, Anti-Money Laundering and new services provided by the Cabinet Office as part of the National Fraud Initiative (NFI).
- 22.** The Council's e-training modules for anti-fraud, anti-bribery, anti-money laundering are mandatory for all staff, SAFS promote this use of this as part of our fraud awareness sessions.
- 23.** Following the pandemic SAFS increased its work around fraud prevention as a priority for the service. We made a decision to resolve most low-level fraud through advisory or compliance letters where appropriate. More serious allegations of fraud or those needing immediate attention would be prioritised.
- 24.** SAFS receives weekly/monthly/ad-hoc updates on new fraud threats or alerts 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), London Fraud Forum (LFF), Credit Industry Fraud Avoidance Service (CIFAS), CIPFA, Hertfordshire Police and the Home Office.

Case 1: CIFAS Alerts. SAFS receives monthly threat alerts of emerging frauds experienced by members in the previous month. This is an example of the 'Insider Threat' which was one of several areas listed in September 2022 within the finance sector. Across SAFS Partners, we have experienced many of the frauds listed below in the last 12 months.

2. The Insider Threat



This section focuses on the threat from within the workplace

Members this month have reported on the following fraud threats:

- Increase in staff members benefiting from fraud that has taken place such as withdrawal of funds from customer accounts to their own. This has occurred in relation to both staff working in branches and contact centres.
- Suspected insider fraud relating to vehicle finance. With staff members contacting the customers via their personal mobiles so the calls and messages are not recorded, there have been staff moving between two brokers for job opportunities.
- Increase in staff members who are also customers with the bank submitting false payment dispute claims. In these situations, the member can see the staff member has entered their overdraft prior to the claims being made.
- Instances of work avoidance whereby the staff member had a second job. Although this position was declared to the organisation, the employee had used their social media account to advertise appointments with clients during their primary work hours.
- Staff have been using corporate cards for personal expenses such as coffee and lunches. Larger fraudulent expenses have been circa thousands of pounds to the card. In some cases employees have requested refunds which have not been returned to the account, instead the staff member has kept the money

25. SAFS maintains a close working relationship with the Shared Internal Audit Service with both exchanging knowledge and best practice on the links between counter-fraud and audit-planning. The excellent relationship with the Council's Legal Team has been maintained including work on criminal litigation and policy reviews.
26. In 2022/2023, SAFS issued fraud alerts on more than 15 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 mandate frauds.

Case 2: In late 2022 SAFS shared the alert below from Hertfordshire Owl Networks.

"We have been alerted to reports of a criminal group who are mimicking the email domains of reputable law firms, solicitors, and debt collecting agencies to send emails asking for overdue payments. They are indiscriminate as to which industry they target. The emails are designed to look very similar to those of the reputable organisations they are mimicking. They use "social engineering" to convince the recipient to carry out a particular action, such as to pay an outstanding invoice. Invoices are sent as a PDF file and appear the same as a legitimate invoice, but the banking details have been replaced with those of the criminal group. Indicators of "spear phishing" emails:

- Suspiciously spelt email addresses.
- Use of language prompting urgency or risk such as: "Urgent!" "Overdue!"
- Unexpected change of payment details.

Reactive and Proactive Fraud Investigation

27. During 2022/2023 SAFS received 80 allegations of fraud affecting council services, this is very similar to previous years, since around 2019/20.

Table 2. Types of fraud being reported (in year):

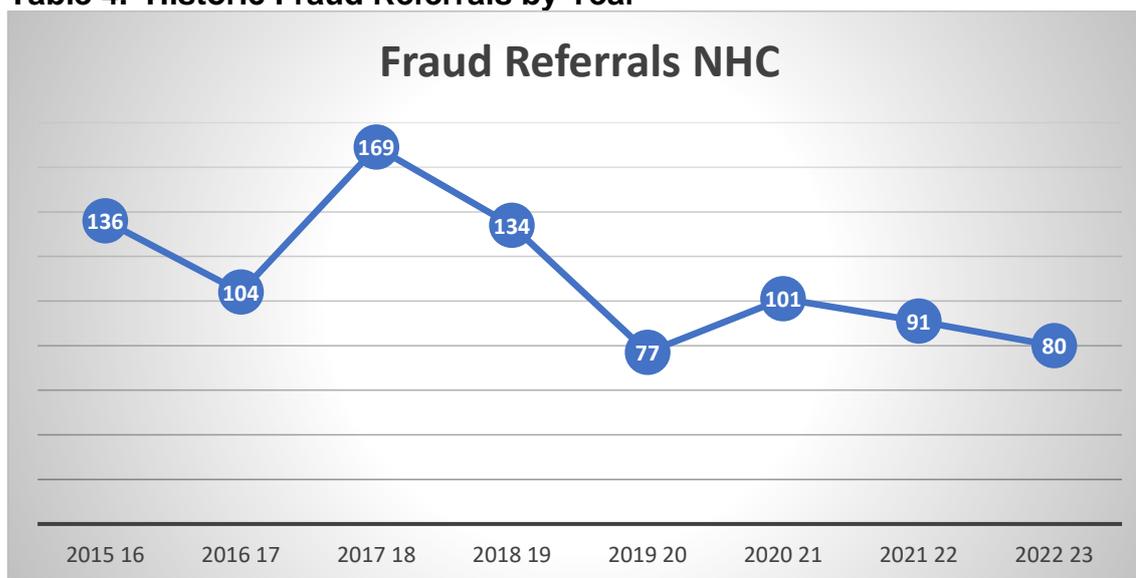
Blue Badge	Housing Benefit/CTax Fraud	Housing	Payment/Mandate	Other *	Total
3	49	18	4	6	80

* Other includes Payroll/ non-NHC matters etc.

Table 3. Who is reporting fraud:

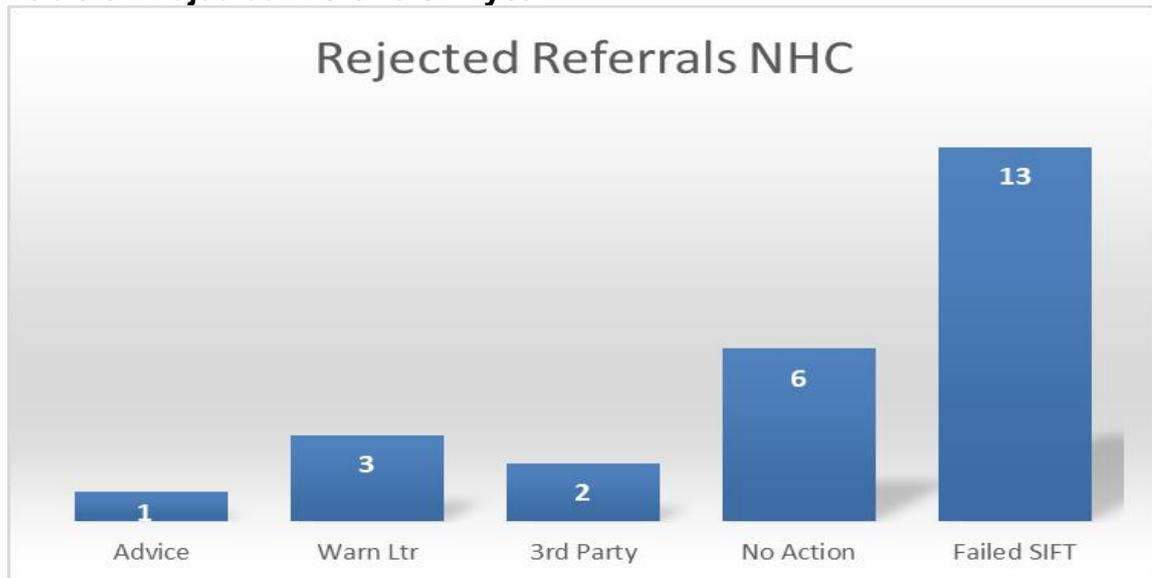
Fraud Reported by Staff	Reports from Public	Data-Matching/ Proactive Investigations	Other Agencies	Total
34	44	1	1	80

Table 4. Historic Fraud Referrals by Year



27. As table 4 shows, the volume of fraud referrals had reduced back to pre-pandemic levels. The decline in referrals, from its peak 2017/18, is due primarily to the low value housing benefit fraud cases now falling under the remit of DWP and the migration of much of the housing benefit caseload to Universal Credit.
28. 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. In total, 25 allegations received in 2022/23 were not selected for further investigation.

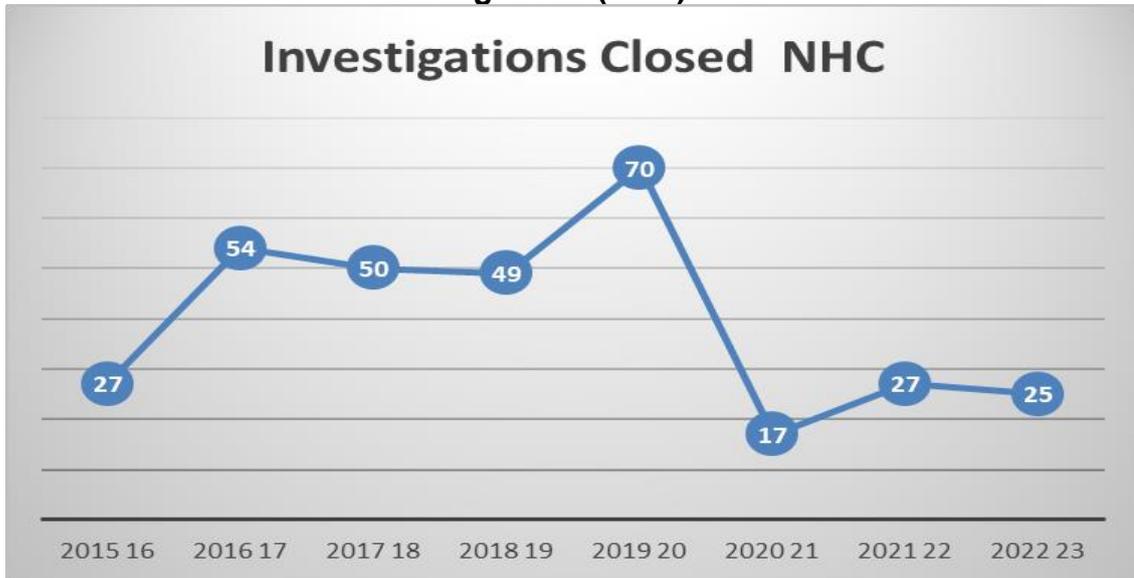
Table 5. 'Rejected' Referrals in year



- 29.** 'Failed Sift' is used 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 '3rd parties' occurs where another agency, such as DWP or HMRC, is best placed to investigate the matter. 'SAFS Advice' occurs when guidance/advice/support has been provided to Council officers, but a full investigation is not required to resolve the allegation. Warning Letters are used to discourage potential low level offending or encourage compliance with regulations.
- 30.** In addition to the referrals that did not require an investigation, 18 'low risk' cases were resolved through compliance activity, warning letters or review. This approach identified around £19k in council tax fraud prevention.
- 31.** We continue to work with the Council's communication team to issue publicity encouraging local residents and businesses to report fraud and help protect public funds. The Council takes part in the International Fraud Awareness Week each November.
- 32.** At this time many cases raised for investigation last year are still live. However, of the 23 cases investigated and closed in the year, 15 identified fraud - with recoverable losses of £112k, and fraud savings of £5k reported. Although the volume of cases remains broadly similar each year, the value of fraud loss has decreased compared to previous years. Senior officers have been provided with a detailed breakdown of which services have been affected by fraud and the outcomes from individual investigations.
- 33.** At year end of March 2023, 36 cases remained under investigation with an estimated fraud loss of £145k. These figures represent a slight increase in the number of live cases, but a reduction in the value of estimated fraud under investigation due the migration of housing benefit fraud risk to DWP- Universal

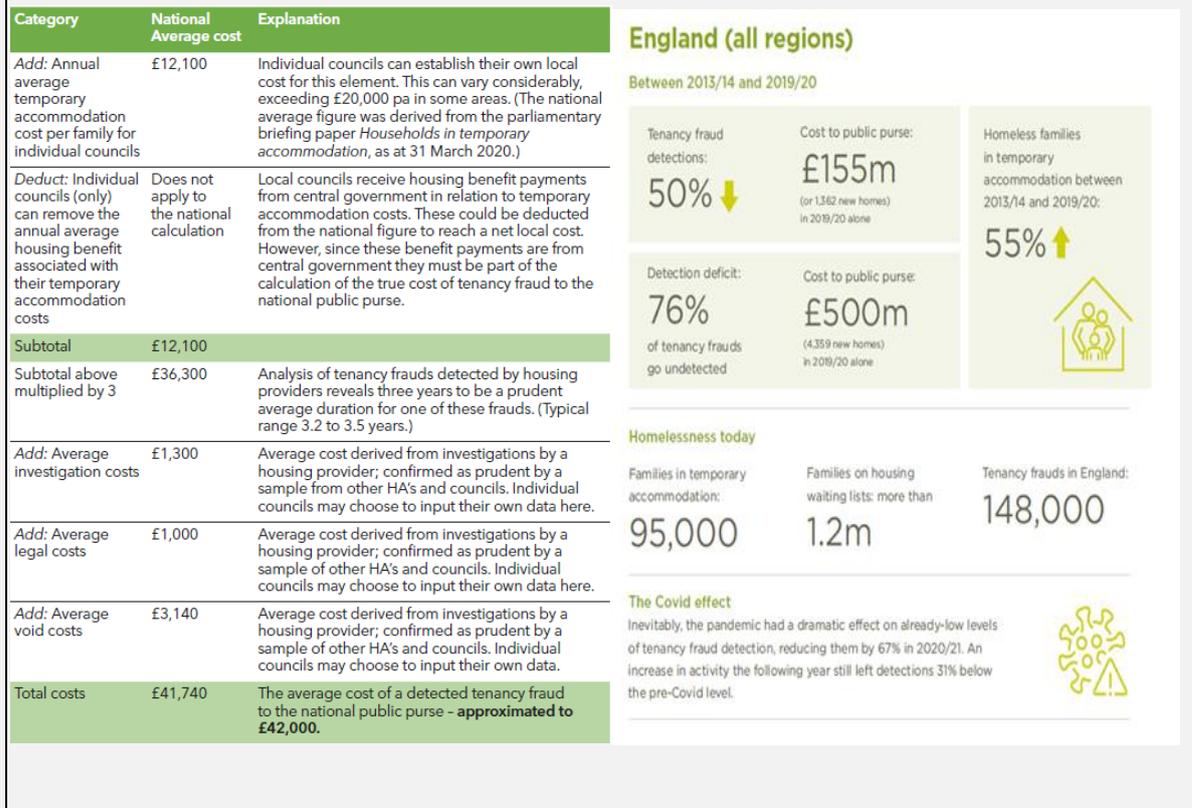
Credit. SAFS monitor these figures to identify trends, such as changing working practices, cost-of-living crisis and other factors.

Table 6. Historic Fraud Investigations (NHC)



34. As well as the financial values identified, SAFS works with the council's housing needs and nominations team where allegations of fraud impact on the Councils housing register or homelessness applications. In 2022/23 a number of housing applications were found to have been made fraudulently and the people involved excluded from the Housing Register in line with the Councils Enforcement Policy. These cases do not deliver an obvious financial value but assist in ensuring that fraudulent applications for housing are prevented ensuring those in genuine need are allocated housing first.
35. In April 2023 the Fraud Advisory Panel (FAP) published a report 'Lost Homes-Lost Hope' following up from a paper published in 2021 by the Tenancy Fraud Forum 'Calculating Losses from Housing Tenancy Fraud', both papers were supported by CIPFA, CIFAS, the Cabinet Office and the Chartered Institute of Housing.
36. The 2021 report calculated the losses of an average housing fraud, per case, to the public purse to be in the region of £41k, of which £36k is attributable to the cost for local authorities through the provision of temporary accommodation as a result of the fraud.
37. It is estimated that as many as 148,000 properties in England could be subject to tenancy fraud of some sort each year. North Herts Council does not hold stock and relies on social housing providers within the Councils boundaries to supply social housing for residents. These providers have neither the legislative powers nor the skills to investigate this type of tenancy breach.

Case 5: Social Housing Fraud



38. The contracted service that SAFS provides to a number of social housing providers, including Settle Home and Peabody, continues to reveal fraud against those organisations such as the illegal sub-let of social housing, fraudulent right-to-buy applications and other misuse of the social housing stock within the Councils boundaries. In 2022/23 SAFS investigated and closed a number such cases resulting in the recovery of 2 properties which were then made available to the Council under its Lettings Policy, the cost of these frauds to the Council could exceed £72k using the formulas above.

Data Matching and Analytics

39. The Council is required to submit data every two years as part of the Cabinet Office mandated [National Fraud Initiative - GOV.UK \(www.gov.uk\)](https://www.gov.uk). This national data collection exercise occurs in October and for North Herts Council datasets such as payroll, housing register, creditor, housing benefit and council tax are required. The data collected from Councils, NHS and others is then analysed and matched to identify discrepancies including potential fraud. The data analytics also introduces data from sources such as Operation Amberhill, HMRC, DWP and General Register Office.
40. The output, or matches, from NFI comes back to Councils between February and March following the October data upload. These matches are shared in various formats for Councils to review and action. For North Herts Council, SAFS administers

access to and reporting for those service areas that are required to provide a response.

41. The Council received 553 matches to review in a number of reports. Many of these matches require administrative review only and will not identify fraud, error, or savings, but it is essential that all are actioned and reported to avoid any fraud being missed and ensure that the Councils data is edited /amended/updated.
42. Of the 400 high priority matches reviewed and closed by the end of June 2023, 1 instances of fraud/error identified £800 in fraud loss/savings for the Council- a further 21 matches are still undergoing additional scrutiny. SAFS continues to work with officers across the Council to resolve the outstanding matches by the end of the summer 2023.
43. Working with the Cabinet Office and its IT Provider for NFI, Synectic Solutions Ltd, SAFS have developed a FraudHub for all SAFS Partners that follows the same process for the two-yearly national exercise, but allows the data collected to be matched more frequently through the year. Thus, rather than waiting for 2 years to identify a fraud we can find these quicker and prevent ongoing loss.
44. SAFS manages the Hertfordshire Council Tax Framework for all Councils across the County. This framework is funded by the County Council and provides a fully managed service to review discounts claimed by residents against their Council Tax liability.
45. A review of discounts and exemptions for North Herts Council in 2022/23 identified 194 properties registered as long-term empty that were actually occupied- raising a potential income of £173k in New Homes Bonus. The Council did not make use of the single person discount review in 2022/23, but plans to in 2023/24.

Executive Reports

46. Where the work of SAFS identifies a system/process weakness that has allowed or failed to prevent a fraud occurring an Executive Report (ER) is provided to the Service Director with responsibility for that service. The ER will detail how the weakness failed to prevent or allowed the fraud to occur with recommendations for management to consider, preventing reoccurrence.
47. SAFS issued one ER in 2023/24, this related to the administration of business grants scheme as part of the pandemic response. The report was shared with senior managers and SIAS.
48. SAFS advanced its plans to deliver detailed Fraud Risk Assessments (FRA) for our Partners. This included a complete FRA for the Homes for Ukraine Scheme in 2022, and plans for similar work around fraud risks in procurement and recruit/use of agency staff in 2023/24

Transparency Code – ‘Fraud Data’

49. 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.
50. 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)

51. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for North Herts Council for 2022/23 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. (North Herts 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).

- 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.

£86,165 (SAFS fee)

- Total number of fraud cases investigated.

23 cases investigated and closed in year

52. In addition, the Code recommends that local authorities publish the following (*for North Herts 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.

15 Occasions where fraud/irregularity identified

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

Reactive - £112k fraud losses reported, £5k fraud prevented.

Proactive- £800 of fraud was identified through NFI

Compliance- £19k from low level reviews

From Housing/Tenancy-fraud losses £76k

Council Tax Review Framework £173k

Total - £386k of fraud and irregularity identified.

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

Not recorded separately

Appendices

- 53.** The following appendices are attached to this report:

Appendix 1 - SAFS/North Herts Council *Anti-Fraud Plan 2022/23* and associated papers.

Appendix 2 - SAFS Annual Report 2022/23

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

(b) Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)

(c) Fighting Fraud and Corruption Locally- A Strategy for the 2020's (CIPFA/CIFAS/LGA 2020)

(d) Tackling Fraud in the Public Sector (CIPFA 2020)

(e) Code of Practice – Managing the Risk of Fraud and Corruption (CIPFA 2014)

(f) Fighting Fraud- Breaking the Chain. (Report of Session 2022-2023 House of Lords)

(g) Government Counter Fraud Standards (Cabinet Office 2021)