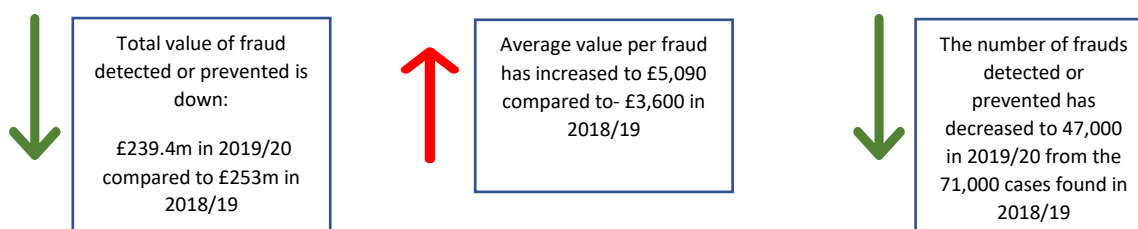# ANNUAL FRAUD REPORT 2020/21

1. National Fraud Landscape

1.1. The CIPFA backed publication, 'Fighting Fraud & Corruption Locally' (FFCL), is the recognised counter fraud and corruption strategy for local government. Its fraud indicator estimates were most recently refreshed in 2017, and these suggest significant losses to fraud for local government and the public sector more widely.
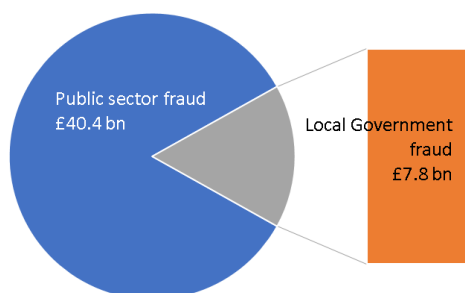
1.2. These estimates are due to be updated as part of a full review of the strategy this year. This will no doubt pick up reports via the Local Government Association that Council leaders are seeing a 40% increase in reported scams since the start of the Coronavirus crisis.

1.3. The key fraud risk areas for local government are highlighted by the CIPFA Counter Fraud Centre (CCFC)'s annual 'Counter Fraud and Corruption Tracker' (CFaCT). The Council participates in this, and the latest update from August 2020 reported the following key findings on the incidence of fraud across local government.

Total value of fraud detected or prevented is down:

£239.4m in 2019/20 compared to £253m in 2018/19

Average value per fraud has increased to £5,090 compared to- £3,600 in 2018/19

The number of frauds detected or prevented has decreased to 47,000 in 2019/20 from the 71,000 cases found in 2018/19

The main targets for fraud and national trends in incidence may be broken down as follows.

| Target	Trend (volume)	Target	Trend (volume)
Disabled parking concessions	**UP**	Serious & Organised Crime	Down
Adult Social Care – personal budget	**UP**	Payroll	Down
Adult Social Care - other	Down	Expenses	**UP**
Insurance	**UP**	Recruitment	Down
Procurement	Down	Pension	Down
Mandate Fraud	**UP**		

Source: CFaCT Summary Report 2020 – based upon estimated total figures

2. Incidence of Fraud Prevention and Detection at Nottinghamshire County Council

2.1. The Council is committed to responding to the threat of fraud and it continues to take a zero-tolerance stance. This is put into practice through a broad range of activity. The continuing counter fraud strategy over the past few years has focused on prevention and detection of fraud. This can be attributed to a number of factors including:
- Corporate Leadership Team's and senior members' commitment to the counter fraud agenda through the development and backing of the Counter Fraud and Counter Corruption Strategy
- Continued engagement with national research, intelligence gathering and development of data analysis
- Risk assessment to identify emerging risks and to target reviews in higher risk areas
- Raising awareness of the counter fraud agenda among all our staff, along with improving understanding and arrangements for capturing instances of detected and prevented fraud
- Officers across the Council undertake a variety of daily activities to prevent and detect fraud
- A minority of cases result in sufficient evidence to warrant the use of the prosecution sanction

2.2. Within this section we recognise both fraud detection and fraud prevention outcomes in assessing the value of the Council's overall exposure to suspected and possible fraudulent activity. The graph below analyses the trend over the last five years in the number and value of fraud prevention and detection cases at the Council.

No. and Value of Frauds Prevented and Detected
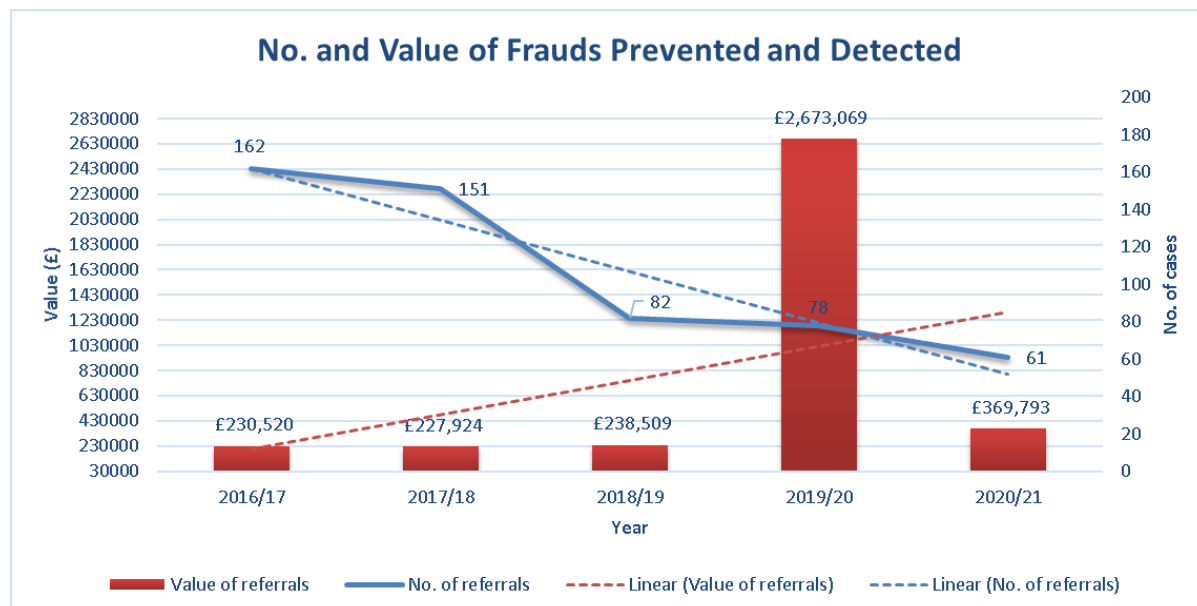
2.3. In line with the CFaCT Summary Report 2020, the blue dotted trend line on the chart above shows a steady decline in the total number of cases compared to recent years. This was impacted partly due to Covid-19 where certain activities such as fraudulent use of disabled badges or concessionary travel passes were not picked up as the country was in lock down and car parking charges were waived.

2.4. In 2019/20 the value of fraud cases was exceptionally high due to two unsuccessful attempts to have fraudulent payment requests processed, totalling £2.2m. Both attempts were blocked by Business Support Centre controls, and no further such attacks have occurred in 2020/21.

2.5. A summary of the cases of potential fraud identified in 2020/21 is presented in the following table.

Nature of potentially fraudulent activity	No of Cases	Detection Source	Value Involved	Nature of Activity
Insurance – suspected fraudulent claims	2	Internal controls within claims handling	£35,000	These claims were successfully defended.
Adults Social Care – Financial Assessments – deprivation of assets	20	Internal Controls through ASCH Reviewing Team	£223,950	Estimated annual reduction in NCC costs because of checks
Adults Social Care – Direct Payments Fraud and Misuse	34	Internal Controls – ACFS Annual Audits	£105,083	Reported to Action Fraud. Invoices raised and recovery in progress
Adult Social Care – Short Breaks - Purchase Card Cloning	1	Internal Checking Controls	£120	Reported to Bank and monies recovered
Schools – Purchase Card	1	Internal Controls	£177	The payment was not processed. Additional security was introduced on the account
Schools – Fund Raising income misappropriation	1	Internal Controls	£3,127	Disciplinary action instigated but employee resigned. Monies recovered
Over ordering of suppliers of adaptions materials	1	Internal Controls	£836	Contract management controls reviewed and applied
C&YP – DfE Laptops for Vulnerable Children sold by parents	1	Social Worker Notification	£1,500	Sim Card disabled by ICT and case referred to Police
TOTALS	**61**		**£369,793**	
Cyber Security	numerous daily attempts	ICT controls	Not quantified	External and internal defence systems to prevent and detect attacks
Blue Badge – Misuse	19 stolen 268 lost badges cancelled	Civil Parking Enforcement Officers	Not quantified	Misuse resulting in the cessation of pass

2.6. In compliance with the Transparency Code, NCC publishes summary information on its website each year concerning its arrangements for countering fraud. This includes the number of fraud cases investigated each year. The published details for the past three years are shown below.

Information	2018/19	2019/20	2020/21
No. employees involved in fraud investigation	25	29	29
No. professionally accredited fraud specialists	1	1	1
Cost of employee time investigating fraud	£72,744	£159,167	£180,607
No. fraud cases investigated	82	81	62

2.7.   The cost of staff actively involved in identifying and preventing fraud has increased since the previous year, mainly due to more robust engagement of Adult Care Financial Services in challenging suspected deprivation of assets when reviewing adult care financial assessments, and also due to additional fraud-prevention work undertaken by Internal Audit in relation to Covid-19.

National Fraud Initiative (NFI)

2.8.   The 2018-20 exercise has now been completed and the key statistics for Nottinghamshire were:

28 reports matching NCC data against data from DVLA, DWP, mortality data, etc

NCC staff examined 8,026 matches on a risk basis and 1 case remains in progress

14,121 total matches
1,551 high priority matches

£64,154 of outcomes identified

2.9.   The 2018-20 NFI national outcomes (July 2020, compiled by the Cabinet Office), in the headline categories of fraud for County Councils are shown below, alongside the NCC outcomes.

Category	NFI 2018-20	NCC 2016-18	NCC 2018-20
Pension Overpayments (Deceased)	£55.5m	-[1]	£54,778
Personal budgets	£2.1m	£5,848	n/a[2]
Trade Creditors	£5.1m	£1,498	£13,899
Payments to Private Care Homes for Deceased Persons	£5.1m	£0	n/a[3]
Total	**£67.8m**	**£7,346**	**£68,677**
Other significant results			
Blue Badges cancelled or withdrawn (no's)	46,750	-[4]	576
Concessionary Travel Passes Cancelled (no's)	151,815	2	1,839

[1] Figures not previously recorded, although checks were undertaken.
[2] Matches relating to Personal Budgets and Private Care Home were removed from the NFI records in 2020. This action was taken following legal advice given to NFI by Cabinet Office lawyers. We have been advised by NFI that these issues are being addressed and that the affected data set reporting is likely to be reinstated in future data matching exercises
[3] As 2 above
[4] As 1 above

3. Fraud Risk Assessment (FRA)

3.1.   Internal Audit annually reviews and updates the Council's FRA to assess the nature of fraud and corruption threats to the Council. The assessment draws on intelligence from a variety of sources:

- National Anti-Fraud Network and National Fraud Intelligence Bureau alerts which are routinely received, reviewed and disseminated by Internal Audit
- National publications, professional bodies and our collaboration with Assurance Lincolnshire
- Discussion with service managers across the Council to understand inherent and residual risks facing services vulnerable to fraud
- Head of Internal Audit's knowledge and risks from core systems and the assurance mapping process
- Analysis of incidences of suspected cases at the Council
- Liaison with the Midland Counties Counter Fraud Group – Knowledge Hub. This group is used as a forum to raise questions and share knowledge of potentially fraudulent activity or issues that have arisen at other local authorities.

3.2.   The latest review of the FRA highlights the following threats as potentially having the highest impact at the Council:

External Threats

- Procurement fraud – during the contract management stage of activities and including invoices for services not delivered, received or sub-standard
- Bank mandates
- Economic and voluntary sector support fraud (grant aid fraud)
- Adult social care – providers' additional claims (due to Covid 19)
- Adult social care – personal budgets
- Adult social care – misuse of direct payments
- Adult social care – deprivation of assets to increase the Council's contribution for care costs
- Travel and transport – operators' additional payment claims (due to Covid 19)
- Pension fund – continuation of payments in respect of deceased persons
- Blue badges – invalid use of parking permits

Internal Threats

- Collusion – two or more employees acting together to nullify internal checks
- Banking – including the misappropriation of cash, manipulation of bank reconciliation
- Payroll – submission of false claims for overtime, allowances and expenses
- Procurement – abuse of procurement processes and procurement cards
- Payments – abuse of position and opportunity due to temporarily reduced levels of control for emergency payments.

3.3.   Due to the recent, additional pressures Covid 19 has placed on internal controls, particularly in the areas of grant payments and the procurement of emergency goods and services, additional fraud risks have been identified in specific areas of activity.

4. How is Nottinghamshire County Council responding to fraud risk?

Governance and Members

4.1. The Council's Governance and Ethics Committee continues to provide the focal point for member engagement with the counter fraud agenda. Members oversee the review of policies and guidance material that underpin the delivery of the counter fraud agenda across the Council, and this continued through 2020/21:

- Counter Fraud & Corruption Policy and Fraud Response Plan
- Anti-Money Laundering Policy
- Self-assessment against the Fighting Fraud & Corruption Locally checklist
- Whistleblowing policy

Internal Audit and Counter Fraud

4.2. The Internal Audit Team incorporates pro-active and responsive counter-fraud work in its termly plans:

- Helping to promote a counter-fraud culture - awareness-raising articles in 'Team Talk' and 'Intranet News' over the year, and especially to coincide with the International Fraud Awareness Week. Monitoring the take-up of online counter-fraud training among Council staff and producing new material for the package's re-launch
- Detective checking – through application of its data-enabled audit strategy and use of data analytic software as part of its routine audit work. In the past year, this has featured post-payment assurance over emergency and non-routine payments during the pandemic to test for potentially fraudulent activity
- Prompting targeted checks by others - through the dissemination of information and advice
- Data-matching and data-washing – co-ordination of the Council's participation in ongoing NFI and NFI Recheck exercises, along with six-monthly engagement with the national Government Agency Intelligence Network (GAIN) to check for any links with known serious and organised crime
- Continuous assurance – development of routine data monitoring for indicators of fraud in a range of corporate systems and processes.

Business Services Centre (BSC)

4.3. A range of fraud preventative activities are carried out by the BSC: as part of the recruitment process and the setting-up of new employees on the payroll:

- Recruitment – applying checks for new employees on the right to work in the UK, along with workflow prompts for managers to complete ongoing checks for those with temporary leave to remain in the UK. Carrying out Disclosure and Barring Service (DBS) checks (including identity checks) for prescribed categories of employee, and improving reference response rates through the use of the online application
- Mandate fraud controls – strong controls to counter attacks aimed at the accounts payable process
- Separation of duties and access to core systems – software enabled, continuous monitoring of activity in the Council's SAP accounting system to routinely detect transactions that warrant investigation A new, annual check is being rolled out to require managers to validate continuing staff access requirements.

ICT

4.4. The cyber security agenda continues to make national headlines, and this is a primary area of focus for the ICT team:

- Risk management process – alignment with the National Cyber Security Centre (NCSC) and Local Government Association (LGA) Directives and Best Practices
- Digital and physical asset protection measures – these continue to successfully detect and deflect a variety of cyber related virus, malware and other malicious attacks against the Council
- IT security policies - reviewed annually
- External accreditation – certification against Cyber Essentials, the Public Services Network Code of Connection and the Data Security Protection Toolkit.

Adult Care Financial Services Department (ACFS)

4.5. ACFS has developed a proactive approach and has in place rigorous measures to address the threat of losses due to the misuse of direct payments and intentional deprivation of assets:

- Direct Payment Policy, Agreement and staff guidance – becoming embedded in the department's processes
- Direct Payments Auditing and ACFS escalation process – now resumed following the diversion of resources to deal with the pandemic emergency. Financial audits are once again identifying cases of misuse, resulting in invoices being issued for repayment and alternative 'managed' services being provided where necessary.
- Deprivation of assets - cases continue to be identified, resulting in recovery action being undertaken in accordance with Section 70 of the Care Act 2014.

Risk & Insurance

4.6. The Risk and Insurance Team continues to use a 48-point checklist to screen claims on a risk basis to detect false, exaggerated and potentially fraudulent cases. During 2020-21 the team were given access to virtual refresher training sessions on fraud and the likely pandemic impact. Training was provided by industry partners and our insurers, Zurich Municipal.

Schools Finance

4.7. The work of the Schools Finance Team makes an important contribution to the counter-fraud activities:

- Advice to schools on finance and governance - including liaison with Internal Audit in relation to potential fraud cases
- Fraud alerts – dissemination of intelligence about new and emerging fraud threats for schools through the Schools Portal
- Routine audits – audits of schools on a five-year basis incorporate checking controls designed to mitigate potential fraud risks. Findings from individual reviews provide intelligence to identify areas of fraud risk and to disseminate warnings to others.

Procurement

4.8. The Procurement Team have robust processes and due diligence in place at the tendering stage to counter fraud. With regards to PPE and Covid-19 purchasing, there have been no situations of fraud identified where payment has been requested without receipt of goods. Appropriate checks and balances are in place throughout the process. The Local Authority now receives PPE from central government and the new Dynamic Purchasing

Scheme that Procurement are putting in place will follow the compliant tendering process to ensure that all appropriate due diligence and checks are in place.

Blue Badges

4.9.   Activity to identify the misuse of Blue Badges was impacted by the pandemic, but the usual actions of the Enforcement Teams is recommencing in 2021/22. The focus for counter-fraud activity in this area includes the following:

- Issue of Penalty Charge Notices where Enforcement Teams identify incorrect use of badges - NCC has lobbied Central Government to consider making enforcing Blue Badge fraud simpler
- Vigilance in identifying suspicious applications for badges, including repeated claims of badges being lost
- Liaison with the City Council and Police Compliance and Fraud Officer to share intelligence of badge misuse
- Participation in the NFI to identify and cancel active badges linked to deceased badge holders.

Concessionary Passes

4.10.   Key actions to counter the fraudulent use of concessionary travel passes centre around failure to notify the Council of the death of a pass holder:

- Participation in the NFI
- Linking in with the Council's 'Tell Us Once' process to facilitate notification of the death of a pass holder, and establishing closer links with the Registration Service
- Rolling out a hot-listing system which will enable remote cancellation of any badges that should no longer be in use.

5. Counter Fraud Priorities for 2021/22

5.1.   The following sets out priorities for 2021/22, all of which will be led by Internal Audit.

Action	Timescale
Pro-active work with the Travel & Transport team to respond to the threat of Blue Badge and Concessionary Travel Fraud, including an audit of the notification process (Tell Us Once) and the hot-listing system.	March 2022
Continued work with Legal Services to develop a proposed protocol for the pursuit of private and civil prosecutions.	March 2022
Review progress with actions from the FFCL self-assessment and address outstanding actions.	March 2022
Review the findings from the MHCLG – Fraud and Corruption in LG Procurement work with the procurement team.	March 2022
Ensure fraud and corruption risks are appropriately captured and addressed through the Council's risk management process	December 2021
Continued engagement with GAIN on the 6-monthly data-washing matching with Organised Crime Group intelligence	March 2022
Refresh counter-fraud training material and highlight take-up among staff	November 2021
Annual refresh of the Counter Fraud & Corruption Strategy and the Fraud Response Plan	March 2022
Disseminate insight and responses to fraud alerts through 'Team Talk' to coincide with International Fraud Awareness Week.	November 2021
Complete review of grant payments through post-payment assurance work.	November 2021