

17 December 2019

Agenda Item: 7

REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

COUNTER FRAUD PROGRESS REPORT – DECEMBER 2019

Purpose of the Report

1. To update the Governance and Ethics Committee (G&E) of the Counter Fraud work undertaken to date in 2019/20.

Information

2. The report brings together work undertaken in relation to:
 - National Fraud Initiative (NFI) - outcomes to date from the 2018-20 exercise;
 - A significant attempted fraud against the Council and how control measures prevented this;
 - Counter fraud activities – to provide an update on recent, pro-active work; and
 - Counter fraud action plan progress - an update on progress made against the action plan.

National Fraud Initiative

3. The Council participates every two years in the compulsory NFI exercise. Key statistics from NCC's participation in the 2018-20 exercise to date are the following:
 - Data matching reports were generated from the exercise comparing NCC data to data sources such as DVLA, Mortality Data, and DWP etc.
 - 14,447 matches generated of which 4,521 matches recommended for high priority review
 - The key outcomes so far are three cases identified from the matches examined, leading to recoveries of £21,653 (**See table 1**).
4. The NCC outcomes for the 2018-20 exercise are shown below in **Table 1** - Headline Categories of Fraud for NCC which compares outcomes to date alongside the outcomes of the 2016-18 exercise. To date, the outcomes show a three-fold increase in the values identified from pro-active review across the Council.

Table 1 – Headline Categories of Fraud for NCC - 2016-18 & 2018-20

Category	NCC 2016-18	NCC 2018- 20 (To Date)
Pension Fraud and Overpayments	£0	£12,277
Personal budgets	£5,848	£2,474
Trade Creditors	£1,498	£0
Payments to Private Care Homes for Deceased Persons	£0	£6,902
Total	£7,346	£21,653
Other significant results		
Blue Badges revoked or withdrawn (no's)	0	576
Concessionary Travel Passes Cancelled (no's)	2	0

5. The Cabinet Office have developed products offered to Local Government following the 2016-18 NFI exercise and NCC has engaged in the Re-Check facility. This provides the opportunity to resubmit data sets for matching against more recent data sources, thus providing more up-to-date match records.
6. To date the only data reviewed in a recheck exercise process has been mortality data to conduct Pension data matches. This has resulted in matches which are being worked through. The mortality matched cases completed to date have not led to recovery action.

Attempted Fraud case

7. Members will be aware from previous fraud updates that attempts to change bank mandates and suppliers' bank account details are a significant type of fraud threat for Councils. These are aimed at establishing regular flows of bogus payments to fraudsters and to divert legitimate payments into the bank accounts of fraudsters. The Council has established controls to guard against attacks of this nature. Members will be re-assured to know that those controls successfully defended a fraudulent attempt in August 2019 to change the bank account details for Via East Midlands Ltd.

The vigilance and prompt actions by staff in the Business Services Centre, in compliance with the established control procedure, prevented a payment of £1.9m being diverted to a fraudster's bank account. The matter was reported to Action Fraud. Colleagues from the Business Services Centre will attend the Committee meeting to deliver a short presentation to illustrate the robust arrangements in place to repel attacks of this nature.

Counter Fraud E-learning and Other Activities

8. The Counter Fraud E-learning materials were released to all staff through the intranet in July 2018. Since its release, the training package has been completed by 902 staff. **Table 2** below shows the breakdown of completions across departments. This shows the Place department having the lowest take-up which we will use to inform our fraud risk assessment.

Table 2 – Completion of Counter Fraud E-learning

Department	Completions Dec 2018	%	Completions Oct 2019	%
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ASCH	56	32%	306	34%
Chief Executives	65	37%	240	27%
C&F	44	25%	192	21%
Place	12	6%	53	6%
Other / External	0	0%	111	12%
Total	177		902	

9. We have continued to monitor the completion of the training and have undertaken a further re-launch of the e-learning materials as part of International Fraud Awareness Week which ran from 17 – 23 November 2019. The re-launch involved a Team Talk article to raise awareness of fraud and to remind staff of the training available, how to protect the Council and themselves from fraud.
10. In our Annual Fraud Report we reported on how the Council's insurers, Zurich Municipal, had worked with the Risk and Insurance Team to provide fraud awareness training. This training and awareness have now been expanded to include engagement with the Council's Counter Fraud Specialist to share knowledge and experience and access to industry networks.
11. The Risk and Insurance Team remain vigilant to potentially fraudulent claims and continue to undertake pro-active detection work. The team have also been active in the successful defence of claims made against the council and have recently generated estimated savings of £80,000 through such work.
12. Internal Audit continue to be involved in fraud investigation activities and are currently involved in nine live cases. The developments and outcomes are reported to the Chairman of this committee through regular updates with the Group Manager and summarised to all members in the Annual Fraud Report. We continue to report our findings and recommendations to management in relation to recommended redress and / or strengthening of the control environment.
13. We have previously reported our engagement with Nottinghamshire Police to develop the 'data washing' agenda. This has now transferred to the Government Agency Intelligence Network (GAIN) to identify potential matches with known serious organised crime targets. The first 'data washing' exercise has been completed and no targets were identified from the sample data provided. We have made a commitment with GAIN to undertake further 'data washing' exercises on a six-monthly basis.

Counter Fraud Action Plan Progress

14. We have reviewed the implementation of actions within the Counter - Fraud Action Plan and provide an update on progress for each in **Appendix A**.
15. During our work we have identified that the Council's Counter - Fraud and Counter Corruption Strategy and Fraud Response Plan require review and updating. The review will ensure the key documents are updated and complement each other. We will work with stakeholders such as legal and finance to review these strategies. This will be monitored through the Counter Fraud Action Plan and is a recorded action in **Appendix A**.

Other Options Considered

16. The Audit Section is working to the Public Sector Internal Audit Standards and the contents of the Counter Fraud Action Plan. This report follows the requirements of the Standards to undertake a risk-based approach to counter fraud work and report progress and outcomes of such work. No other option was considered.

Reason/s for Recommendation/s

17. To report the progress made by the Group Manager – Assurance in undertaking counter fraud work.

Statutory and Policy Implications

18. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Crime and disorder

The Council's Counter Fraud Policy provides for a zero tolerance approach to fraud and corruption. The Fraud Response Plan provides for all suspected cases being considered for referral to the Police for investigation.

Human Resources implications

Under the zero tolerance approach in the Council's Counter Fraud Policy, all suspected cases involving members of the Council's staff are investigated and consideration given to disciplinary proceedings.

Financial Implications

Any money lost to fraud is money that cannot be spent delivering critical public services to the citizens of Nottinghamshire. The Annual Fraud Report for 2018/19 was presented to the Governance & Ethics Committee in June 2019 and identified that the value of detected or prevented fraud in that year amounted to approximately £238,000.

RECOMMENDATIONS

- 1) Committee considers whether it wishes to see any additional actions put in place to tackle fraud or to receive further reports on the actions already being taken within the Council.

Nigel Stevenson

Service Director for Finance, Infrastructure & Improvement

For any enquiries about this report please contact:

Rob Disney
Group Manager – Assurance

Constitutional Comments (GR – 28112019)

19. Pursuant to the County Councils constitution the Governance and Ethics Committee has the delegated authority to both received this report and make the recommendations contained within it.

Financial Comments (RWK 02/12/2019)

20. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All