

4 January 2023

Agenda Item: 6

**REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT**

COUNTER-FRAUD PROGRESS REPORT

Purpose of the Report

1. To update the Governance and Ethics Committee on the counter-fraud work undertaken to date in 2022/23.

Information

2. Counter-fraud work has continued to focus on key risk areas during 2022/23 and the Council has remained vigilant to the threat of fraud and emerging risks.
3. The report brings together work undertaken in relation to:
 - The National Fraud Initiative (NFI) – matches from the 2020-22 exercise
 - NFI progress with the information submission for 2022-23
 - Counter-fraud activities – to provide an update on recent, pro-active work; and
 - Counter-fraud action plan - an update on progress made against the action plan

National Fraud Initiative

4. The Council participates every two years in the compulsory NFI exercise. Data matching reports were generated from the exercise, comparing Council data to data sources such as the Driver & Vehicle Licensing Agency (DVLA), mortality data, and the Department for Work & Pensions (DWP). The outcomes for 2020-22 with a comparison to the 2018-20 outcomes are shown below in **Table 1**. The outcomes and reasons for the matches have remained the same as reported in the Annual Fraud Report presented to Governance and Ethics committee in July 2022.

Table 1 – Headline Categories of Potential Fraud/Error - 2018-20 & 2020-22

Category	2018-20	2020-22
Pension Overpayments (Deceased)	£83,028	No outcomes yet to report. 160 from 870 (17%) matches checked.

Category	2018-20	2020-22
Personal budgets	£2,049	Not included in the latest matching exercise due to NFI GDPR issues.
Trade Creditors	£0	£81,640 <i>(See paragraph 6, below)</i>
Payments to Private Care Homes for Deceased Persons	£6,409	Not included in the latest matching exercise due to NFI GDPR issues.
Total	£91,486	£81,640
Other significant estimated results		
Blue Badges cancelled or withdrawn (no's)	576 cases	480 cases - with a potential value of: £276,000
Concessionary Travel Passes Cancelled (no's)	115 cases	1839 cases With a potential value of: £44,136
Theoretical estimates based on average value of cases above (not previously estimated in this way before)	691 cases	Total of 2319 cases with a potential value of: £320,136

5. The table above brings to an end the 2020-22 NFI exercise with the figures in the table and confirms the final outputs for the year which is consistent with those reported in the annual report in July. Work has now commenced to submit the data required for the next exercise for 2022-23. The first outputs from these matches are not due until January 2023 and we will provide an update on the value of matches in the next Annual Fraud Report in July 2023.

Counter-fraud E-learning and Other Activities

6. As identified in the previous progress report, the take-up of training had declined. In response to this, we have undertaken a re-refresh and re-launch of the e-learning materials, and this was again promoted to Team Managers and staff through Team Talk articles as part of International Fraud Awareness Week. This ran from 13 – 19 November 2022 and was publicised on the council's intranet from the end of October till the end of November. We have monitored the completion of the training and since the relaunch, 299 staff have now undertaken the training.
7. As reported in our Annual Fraud Report in July, we had an action to carry out a piece of work to analyse previous fraud cases and identify any key control weaknesses. This work has now concluded, and a draft report has been issued. Recommendations have been made in relation to direct payments, care provider engagements and claims processing, purchase cards, raising of cheques and segregation of duties in schools to strengthen the councils counter-fraud arrangements.
8. The Risk and Insurance Team remain vigilant to potentially fraudulent claims and continue to undertake pro-active detection work, including using the fraud checklist to assist in the identification of fraudulent claims. No fraudulent claims were identified during financial year 2021/22, although the team have been active in the successful defence of claims made against the council and generated estimated savings of £2.5m during 2021/22 through such work. A further update on the current financial year will be provided in the next Annual Fraud Report.

9. Internal Audit continues to be involved in fraud investigation activities and are currently involved in three live cases. The developments and outcomes continue to be reported to the Chairman of this committee through regular updates with the Interim Chief Internal Auditor and summarised to all members in the Annual Fraud Report.
10. Whilst attempts to commit fraud continue to occur, we do have measures in place to detect and address these occurrences. Staff in the Business Service Centre (BSC) are vigilant to supplier mandate frauds, and we are still actively engaged with reporting these cases to Action Fraud. We will continue to report our findings and recommendations to management in relation to recommended redress and /or strengthening of the control environment.
11. As part of our current termly counter-fraud plan, work is underway to gain assurance over the robustness of controls in relation to mandate fraud, both for the Council and Local Authority maintained Schools.

Fighting Fraud and Corruption Locally (FFCL) Strategy and Checklist

12. FFCL 2020 is the latest national strategy developed jointly by central government and Cifas (a not-for-profit fraud prevention membership organisation). It is aimed at providing a coordinated approach to tackling fraud locally.
13. The national strategy contained a recommendation for organisations to consider their options in relation to providing counter-fraud coverage and provided a self-assessment checklist for completion. Internal Audit previously completed the self-assessment for the Council, and the outcome was presented to Members.
14. In line with the counter fraud action plan, we have reviewed progress against the counter fraud checklist contained within FFCL 2020. This was previously reported as an appendix to the report. We are still committed to look at this and work continues within the team to address the questions raised. Our work includes:
 - Providing regular reports on fraud risks to the Chairman of Governance and Ethics Committee
 - Monitoring compliance with standards of conduct across the local authority
 - Reviewing the Registers of Interest for Members and staff.
 - Using data analytical techniques to identify fraudulent activity
15. We have also updated the Counter Fraud Risk Assessment for 2022 to capture FFCL emerging issues, along with emerging Covid19 related and cost of living crisis frauds that have surfaced through our connections with national fraud networks (see further details below). The risk assessment identifies high priority areas for the consideration of pro-active counter-fraud work. High risks continue to include procurement and mandate fraud, adult social care abuse of payments, blue badge misuse, pension fund fraud and cyber-crime.
16. Nationally, increased numbers of people have also been recorded to the enhanced internal fraud database maintained by Cifas. This includes increased numbers of people falsely applying for jobs, providing fake employment details and concealing adverse employment history to gain employment. We have confirmed that the Business Services Centre (BSC) have robust measures in place ensuring that appropriate pre-employment checks are

undertaken when a new starter is employed, and they are also currently exploring options with regards to the Cifas database to see if it can further enhance counter-fraud controls.

17. The completion of right to work checks are a statutory obligation and an essential part of the Authority's onboarding process. No new starters are setup on payroll unless a right to work in the UK check has been successfully completed. The BSC has recently introduced an online system for Digital Identity Verification Process (DIVP) which removes the need for managers to arrange to collect the necessary evidence from the candidate. DIVP will enable candidates who hold a current UK or Irish passport to use a new online process to submit and confirm their right to work in the UK. The recruitment team will now complete these identity checks on behalf of managers in most cases. This will also extend to DBS checks shortly.
18. In the past year our work included post-payment assurance, which incorporated the checking of emergency and non-routine payments during the pandemic. Work has already been undertaken by Internal Audit to test for potentially fraudulent activity that has occurred in relation to such payments. These pieces of work continue to be incorporated into our termly planning, and key findings will be shared with Members.
19. It remains a key area of focus for the Internal Audit team to support the Council through the provision of timely advice and consultancy on appropriate counter-fraud measures and internal control. Recent examples have included advice on the Household Support Fund and the Homes for the Ukraine Fund. Outcomes from this work will continue to be reported to Members as part of our termly updates.

Counter Fraud Networks and National Picture

20. We continue to disseminate any alerts received from other bodies such as Cifas, National Anti-Fraud Network (NAFN) and the Midland Counties Counter-Fraud Group (MCCFG). The MCCFG Knowledge Hub continues to be used as a forum to raise questions and share knowledge of potentially fraudulent activity or issues that have arisen at other local authorities to inform our risk assessment.
21. Recent activity included a notification from NAFN and NFIB (City of London Specialist Operations) regarding a County-Wide attempted mandate fraud where fraudsters posed as a key Council supplier which had multi-million-pound contracts with local Councils. In addition, fraud alerts are disseminated by Trading Standards through their 'email-me' newsletter which goes to over 17,000 scam alert subscribers. This includes a recent new strand of fraud concerning the Omicron variant of Covid-19 where fraudsters circulated posts on social media purporting to be from the NHS. In this instance, Trading Standards also sent out messages on social media in relation to this scam. Latest statistics suggest that overall reporting of email and social media hacking is the most reported type of fraud currently, representing 43.1% of total reports.
22. Education is one of the most highly reported sectors of this type of fraud and as part of a piece of work on fraud root cause analysis, we highlighted several fraud risks related to email hacking. We have disseminated counter-fraud information to school head teachers to raise awareness of these issues.

23. Previously Nottinghamshire County Council took part in the annual Chartered Institute of Public Finance and Accountancy (CIPFA) Fraud and Corruption Tracker (CFACT) survey in 2020. The survey gives a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it. It aims to:

- help organisations understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of counter-fraud activity
- assist operational staff to develop pro-active, counter-fraud plans

24. The results of this survey were presented to Members in July 2022 as part of the Annual Fraud report, but no further surveys have taken place. Once the survey is resurrected, the Council will continue to support its completion and report findings back to the Governance and Ethics Committee through the Annual Fraud Report.

Counter Fraud Action Plan Progress

25. We have reviewed the implementation of actions within the Counter-Fraud Action Plan which was reported to the Governance and Ethics Committee in July 2022. The table below is an update on progress for each of the outstanding actions. All previously completed actions have been removed from the current action plan.

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 once established.	July 2023
Review progress with actions from the FFCL self-assessment and address outstanding actions.	Reviewed November 2022 and will continue
The Business Service Centre to work with Internal Audit to develop additional in-house options to identify duplicate payments using Excel and IDEA Audit software.	September 2023
A piece of work has been undertaken to identify the root-cause of past fraud cases and identify any key control risks to enhance further learning.	Completed
Review internal and external controls in relation to preventing mandate fraud.	In progress due to report in March 2023

26. The Council's Counter-Fraud & Counter-Corruption Strategy and Fraud Response Plan were reviewed and updated in May 2022 and the latest versions are available on the intranet. A further update will be carried out in 2023 as part of the annual report.

Other Options Considered

27. 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 for Recommendation

28. To report the progress made by the Interim Chief Internal Auditor – in undertaking counter fraud work.

Statutory and Policy Implications

29. 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

30. 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

31. 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

32. 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 2021/22 was presented to the Governance & Ethics Committee in July 2022 and identified that the value of detected or prevented fraud in that year amounted to approximately £671,000.

RECOMMENDATION

1) Members note the contents of the report.

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For any enquiries about this report please contact:

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Constitutional Comments (LW 30/11/2022)

33. Governance and Ethics Committee is the appropriate body to consider the content of the report.

Financial Comments (SES 30/11/2022)

34. 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