

6 January 2021

Agenda Item:5

**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 2020/21.

**Information**

2. Despite the Covid pandemic counter-fraud work has continued to focus on key risk areas during 2020/21 and the Council has remained vigilant to the threat of fraud and emerging risks.
3. The report brings together work undertaken in relation to:
  - National Fraud Initiative (NFI) - outcomes from the 2018-20 exercise;
  - 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**

4. The Council participates every two years in the compulsory NFI exercise. Data matching reports were generated from the exercise, comparing NCC data to data sources such as the Driver & Vehicle Licensing Agency (DVLA), mortality data, and the Department for Work & Pensions (DWP). The NCC outcomes for the 2018-20 exercise are shown below in **Table 1**, which compares 2018-20 outcomes alongside the outcomes of the 2016-18 exercise.

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

<b>Category</b>	<b>NCC 2016-18</b>	<b>NCC 2018-20</b>
Pension Overpayments (Deceased)	£*	£83,028
Personal budgets	£5,848	£2,049
Trade Creditors	£1,498	£0
Payments to Private Care Homes for Deceased Persons	£0	£6,409
<b>Total</b>	<b>£7,346</b>	<b>£91,486</b>
<b>Other significant results</b>		
Blue Badges cancelled or withdrawn (no's)	*	576 cases

Category	NCC 2016-18	NCC 2018-20
Concessionary Travel Passes Cancelled (no's)	2	115 cases

\* Figures not previously recorded, although checks were undertaken

5. The outcomes show an increase in the values identified from pro-active review across the Council. Key points to note about the exercise are:
- 14,121 matches were generated, of which 1,533 matches were recommended for high priority review.
  - Whilst no cases of fraud have been confirmed through NFI, a total of £91,486 has been identified for recovery. £83,028 relates to pension payments which were made in error, which represents 0.05% of the £170m pension payments per annum. To date 88% of the payment errors have been recovered. Typically, these are cases where entitlements have ceased, but the Council has not yet been notified of a change in circumstances. The other £8,458 has been recovered in relation to payments made in error to two separate care homes after the person's death.
6. Since the 2016-18 NFI exercise, NCC has engaged in the Cabinet Office's 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.
7. To date the only data reviewed in the Re-check exercise process has been mortality data referred to above (para 4) to conduct Pension data matches.

### ***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 963 staff. **Table 2** below shows the breakdown of completions across departments and as a percentage of the total. This shows the Place department having the lowest take-up, which we have used to inform our fraud risk assessment.

**Table 2 – Completion of Counter-fraud E-learning**

Department	Completions to Dec 2018	%	Completions to Oct 2019	%	Completions to Oct 2020	%
ASCH	56	32%	306	34%	308	32%
Chief Executives	65	37%	240	27%	241	25%
C&F	44	25%	192	21%	192	20%
Place	12	6%	53	6%	71	7%
Other External /	0	0%	111	12%	151	16%
<b>Total</b>	<b>177</b>		<b>902</b>		<b>963</b>	

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 15 – 21 November 2020. The re-launch involved a Team Talk article to raise awareness of fraud. and to remind staff of the training available and how to protect the Council and themselves from fraud. However, given the time the fraud awareness training material has now been in circulation, it is probably due a refresh and will be included on our action plan.
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 was 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 £78,800 through such work.
12. Internal Audit continues to be involved in fraud investigation activities and are currently involved in seven 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.
13. Whilst attempts to commit fraud still continue to occur, we do have measures in place to identify, prevent and address these. Staff in the Business Service Centre 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.
14. We have previously reported our engagement with the Government Agency Intelligence Network (GAIN), which sits within each Regional Organised Crime Unit (ROCU). GAIN helps to facilitate information sharing between partner agencies to identify potential matches with known serious organised crime targets. The first 'data washing' exercise was completed last year and no targets were identified from the sample data provided. A further data washing exercise has recently taken place and it is reassuring to note that there were none that hit the organised crime gangs (OCG) tracker with any concerns of note. Further 'data washing' exercises will continue to be undertaken in the future.

### ***Fighting Fraud and Corruption Locally (FFCL) Strategy and Checklist***

15. FFCL 2020 is a 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.
16. We have used FFCL 2020 to review and relaunch our own counter-fraud strategy. 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 recently completed the self-assessment for the Council, and the outcome is presented in **Appendix A** and is now being shared with members of the Governance and Ethics Committee. Stakeholder actions are now substantially complete or work in progress

apart from the action for consultation with counter-fraud staff in order to fraud-proof new policies, strategies and initiatives across departments which will be given further consideration. The completed FFCL checklist provides positive assurance of the counter-fraud measures we have in place. We will continue to monitor progress with implementation of actions in **Appendix A** and report back to members.

17. We have also updated the Counter Fraud Risk Assessment 2020-21 to capture FFCL emerging issues, along with emerging COVID19 related risks (e.g. supply chain fraud, grant fraud etc.) that have surfaced through our connections with national fraud networks (see further details below). The risk assessment identified six potential high priority areas for the consideration of pro-active counter-fraud work. This includes post-payment assurance which incorporates the checking of emergency and non-routine payments during the pandemic. Work is already in progress by Internal Audit to test for potentially fraudulent activity that has occurred in relation to such payments during the Covid-19 crisis. These pieces of work are incorporated into our termly planning, and key findings will be shared with Members.
18. It remains a key area of focus for the Internal Audit team to support the Council's pandemic response through the provision of timely advice and consultancy on appropriate counter-fraud measures and internal control. Outcomes from this work will continue to be reported to Members as part of our termly updates.

### ***Counter Fraud Networks and National Picture***

19. We continue to disseminate information from other bodies e.g. National Anti-Fraud Network (NAFN) and Cifas, including several recent alerts following Covid.
20. 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 and assist operational staff to develop pro-active, counter-fraud plans. The results of this survey will be published in a national report in early 2021 and will feature in the next annual fraud report to Members in 2021.
21. We also participate in the Midland Counties Counter Fraud Group, where we share ideas and best practice on fraud.

### ***Counter Fraud Action Plan Progress***

22. We have reviewed the implementation of actions within the Counter-Fraud Action Plan which was reported to the Governance and Ethics Committee in September 2020. Attached is an update on progress for each of the outstanding actions in **Appendix B**. All previously completed actions have been removed from the current action plan.
23. 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 colleagues to review these strategies. This will be monitored through the Counter Fraud Action Plan and is recorded as an action in **Appendix B**.

### **Other Options Considered**

24. 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**

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

### **Statutory and Policy Implications**

26. 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 2019/20 was presented to the Governance & Ethics Committee in September 2020 and identified that the value of detected or prevented fraud in that year amounted to approximately £2.67m.

## **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:**

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**Constitutional Comments (KK – 08/12/2020)**

27. The proposals in this report are within the remit of the Governance and Ethics Committee.

**Financial Comments (RWK – 07/12/2020)**

28. 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