![Nottinghamshire County Council logo] **Nottinghamshire County Council**

Report to Governance & Ethics Committee

27 January 2022

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 2021/22.

Information

2. Counter-fraud work has continued to focus on key risk areas during 2021/22 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) – matches from the 2020-22 exercise;
   - 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 (Updated)

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 the 2018-20 exercise are shown below in **Table 1**, which compares 2018-20 outcomes alongside the outcomes of the 2020-22 exercise.

<u>**Table 1 – Headline Categories of Potential Fraud/Error - 2018-20 & 2020-22 to date**</u>

Category	2018-20	2020-22
Pension Overpayments (Deceased)	£83,028	No outcomes yet to report. 148 from 870 (17%) matches checked to date.
Personal budgets	£2,049	Not included in the latest matching exercise due to NFI GDPR issues.
Trade Creditors	£0	£81,640

Category	2018-20	2020-22
		(*see paragraph 6, below*)
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Blue Badges cancelled or withdrawn (no's)	576 cases	479 cases - with a potential value of: **£275,425**
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	**£319,561**

5. The outcomes show a slight decrease in the values identified. Overall, 18,541 matches were generated, of which 7,556 matches were recommended for high priority review. These are cases where the algorithms indicate the highest likelihood of a match, but they do not necessarily indicate fraud. In total 14,020 matches (75%) have been looked at so far. Of these 11,695 (83.4%) were cleared with no suggestion of fraud or error. The remaining 2,325 cases were found to be more suggestive of error rather than fraud (this includes the cases totalling £81,640 in the table above and explained further below).

6. Six duplicate charges (from a total of 749,888 transactions) have been identified for recovery, totalling £81,640 (0.0028% from a total value of £2.9 billion). These were where the provider had invoices on two separate occasions for the same thing. These were not picked up by the service department as part of their internal checking and monitoring procedures. A brief summary of these cases is set out below:

- Adults Social Care payments to Nottinghamshire Clinical Commissioning Groups (CCGs) - four invoices totalling £67,741 were duplicate charges on different invoice and vendor numbers from two different vendors, NHS Rushcliffe CCG and NHS Nottingham CCG (the district CCGs merged into a central account around this time). Additional invoices were submitted from the new vendor which could not be matched against the original purchase orders quoted, so they were referred to the requisitioner team to liaise with the budget holders. New purchase orders were subsequently raised by the service department in error against the new vendor number, resulting in duplicate payments being made, which have now been recovered

- Children's Placement Team payments - a payment of £12,483 was made against a duplicate charge as opposed to a duplicate invoice i.e. two different invoice numbers charging for the same period. The Children's' Placement Team incorrectly raised a retrospective purchase order to cover the duplicate charges which has now been recovered.

- Design and Print Team payment - £1,416 was paid against a duplicate invoice which was coded and approved by Design and Print twice and not picked up by their electronic ordering/receipting system, Optimus. Internally the service department did not pick this up through their own internal checking procedures. BMS did not flag this as a duplicate as it

was paid through two separate vendor accounts (for the same vendor but to different parts of the business).

7. All the duplicate charges have since been recovered. For a number of years, the services of an external company were used to run pre-payment, data-matching checks to identify potential duplicates for investigation. Whilst this system was in place the duplicates identified versus the cost and effort involved did not justify renewing the contract. As an alternative, the Business Service Centre (BSC) has been working with Audit to review and develop additional in-house options, for example using fuzzy searches within Excel and the IDEA Audit software.

8. Previously the Customer Service Centre has run campaigns regarding the appropriate use of blue badges, and this is something they intend to pick up again in 2022.   Where errors have been detected through the NFI and travel passes and blue badges have been subsequently cancelled, the NFI has recently started to quantify these errors – quoting savings that it refers to under the heading of "Co Estimates". This gives us an additional, estimated saving of £319,561 (using average values of £575 per blue badge and £24 per concessionary pass) in relation to potential unpaid parking charges and bus fares. However, it is difficult to measure the savings accurately.

9. The table above includes matches also identified through the latest Re-Check exercise which included mortality data matches.

Counter-fraud E-learning and Other Activities

10. As identified in the previous progress report, the take-up of training had declined. In response to this, we have undertaken a re-fresh and re-launch of the e-learning materials and this was promoted to staff as part of International Fraud Awareness Week, which ran from 14 – 20 November 2021. In addition, an email has been sent to Team Managers for cascading to all employees to encourage everyone to undertake the training. We will continue to monitor the completion of the training. To complement this, we have issued a press release and article on the public website aimed at raising awareness in relation to scams and signposting the residents of Nottinghamshire to our online scams information as well as additional sources of counter fraud advice.

11. 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, including the pandemic effect.

12. 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. The team have also been active in the successful defence of claims made against the council and have recently generated estimated savings of £35k through such work.

13. Internal Audit continues to be involved in fraud investigation activities and are currently involved in six live cases. The developments and outcomes continue to be reported to the Chairman of this committee through regular updates with the Group Manager and summarised to all members in the Annual Fraud Report.

14. Whilst attempts to commit fraud continue to occur, we do have measures in place to identify, prevent and address these. Staff in the 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.

15. 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. 'Data-washing' exercises have been completed over the last two years and no targets were identified from the sample data provided. We acknowledge that further work has been delayed due to Covid, but further exercises will continue to be undertaken in the future.

Fighting Fraud and Corruption Locally (FFCL) Strategy and Checklist

16. 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.

17. 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.

18. 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 and rather than repeating all the completed items, the table below focusses on the areas where actions continue to be implemented.

What should senior Stakeholders do?		
Question	**Response**	**Status**
The portfolio lead		
1- Receives a regular report that includes information, progress and barriers on the assessment against the FFCL checklist, fraud risk assessment and horizon scanning.	Initial assessment of the FFCL 2020 checklists is being shared with Members and is complemented with this revised risk assessment and horizon scanning work to inform the termly planning.	Ongoing

Appendix 2 – Questions

Fighting Fraud and Corruption Locally Checklist		
Question	**Response**	**Status**
9- Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Work is still required to address consultation on policies and strategies across the Council.	Yet to address

Fighting Fraud and Corruption Locally Checklist		
Question	**Response**	**Status**
10- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Work is still required to determine the most appropriate method of publicising cases both internally and externally.	Yet to address
12- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: • Codes of conduct including behaviour for counter fraud, anti-bribery and corruption. • Register of interests. • Register of gifts and hospitality.	This is included as an action in the Governance Action Plan and is part of the wider revision of the constitution for the new cabinet/scrutiny model.	Work in progress
14- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by Auditors and reported to committee.	A review of the Register of Interests is now included as an action in the Governance Action Plan and is being undertaken as part of the codes of conduct work detailed above.	Work in progress
30- The local authority shares data across its own departments and between other enforcement agencies.	Data sharing continues to be limited across departments; however, data is shared with government agencies through NFI and GAIN.	Work in progress
31- Prevention measures and projects are undertaken using data analytics where possible.	Data analytic techniques have developed and continue to be used where possible and shared with other agencies. Work has been developed in relation to a continuous audit process which incorporates counter fraud measures.	Work in progress

19. We will continue to address the items which remain work in progress and revise this in 12 months' time.

20. In recognition of our previous and continued support to the work of Cifas, we were invited to attend the 2021 conference in December. However, this was cancelled due to recent Covid outbreaks but is expected to take place in early 2022. Meanwhile, we will continue our pro-active engagement with counter-fraud professionals and disseminate learning and insight to inform our future work.

21. 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 identifies high priority areas for the consideration of pro-active counter-fraud work.

22. In the past year this 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 during the Covid-19 crisis. These pieces of work continue to be incorporated into our termly planning, and key findings will be shared with Members.

23. 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. Recent examples have included advice on the Household Support Fund, UK Community Fund and Covid Culture Payments. Outcomes from this work will continue to be reported to Members as part of our termly updates.

Counter Fraud Networks and National Picture

24. 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.

25. Recent activity included a notification from NAFN 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 'emailme' 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.

26. 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 were presented to Members in September 2021 as part of the Annual Fraud report.

Counter Fraud Action Plan Progress

27. We have reviewed the implementation of actions within the Counter-Fraud Action Plan which was reported to the Governance and Ethics Committee in September 2021. 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.	March 2022

Continued work with Legal Services to consider a protocol for the pursuit of private and civil prosecutions.	To be reviewed once current work on the revised constitution has been completed
Review progress with actions from the FFCL self-assessment and address outstanding actions.	Reviewed November 2021 and continues to March 2022
Review the findings from the Department for Levelling Up, Housing and Communities (DLUHC) (formerly MHCLG) – Fraud and Corruption in LG Procurement work with the procurement team.	March 2022
Continued engagement with GAIN on the 6-monthly data-washing matching with Organised Crime Group intelligence.	March 2022

28. The Council's Counter-Fraud and Counter-Corruption Strategy and Fraud Response Plan were reviewed and updated in May 2021 and the latest versions are available on the intranet. A further update will be carried out in 2022.

Other Options Considered

29. 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

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

Statutory and Policy Implications

31. 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
32. 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
33. 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

34. 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 2020/21 was presented to the Governance & Ethics Committee in September 2021 and identified that the value of detected or prevented fraud in that year amounted to approximately £370k.

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.

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For any enquiries about this report please contact:
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Constitutional Comments (KK 23/12/2021)

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

Financial Comments (SES 04/01/2022)

36. 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