ANNUAL FRAUD REPORT 2019/20
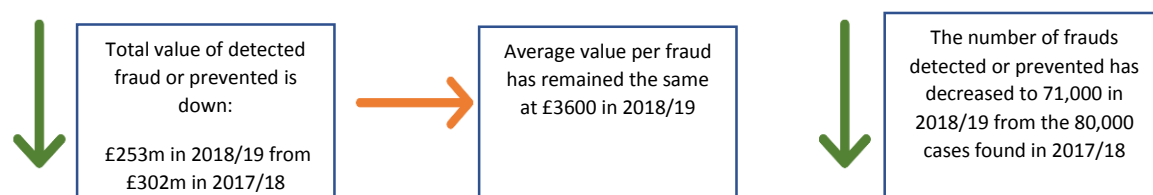
Contents

1. National Fraud Landscape

1.1. The Cifas publication, 'Fighting Fraud & Corruption Locally' (FFCL), was published in 2016 and, supported by the CIPFA Counter Fraud Centre (CCFC), remains the local government counter fraud and corruption strategy. The strategy was renewed in 2020 and the Council's Internal Audit Team actively engaged in the consultation process for this refresh.

1.2. The FFCL strategy provides a blueprint for a response to fraud and corruption perpetrated against local authorities, following the core principles of 'Acknowledge, Prevent and Pursue'. In addition, the latest iteration of the strategy includes two further areas, 'Govern and Protect'. The latest compilation of figures included in the 2020 strategy (2013 stats) estimates fraud losses across all sectors in the UK annually to be £52 billion, of which £20.6 billion is thought to be perpetrated against the public sector.

1.3. In 2017, the Annual Fraud Indicator estimates were refreshed and suggest that fraud in local government annually could now be as high as £7.8bn out of a total of £40.4bn for the public sector as a whole. These figures have not been quantified for the purpose of this report and for consistency we have referred to the Local government losses, as compiled by the National Fraud Authority in 2013. These were considered to be around £2.1 billion, comprising the following components:

Figure 1 – Breakdown of estimated losses of £2.1 billion to fraud in local government
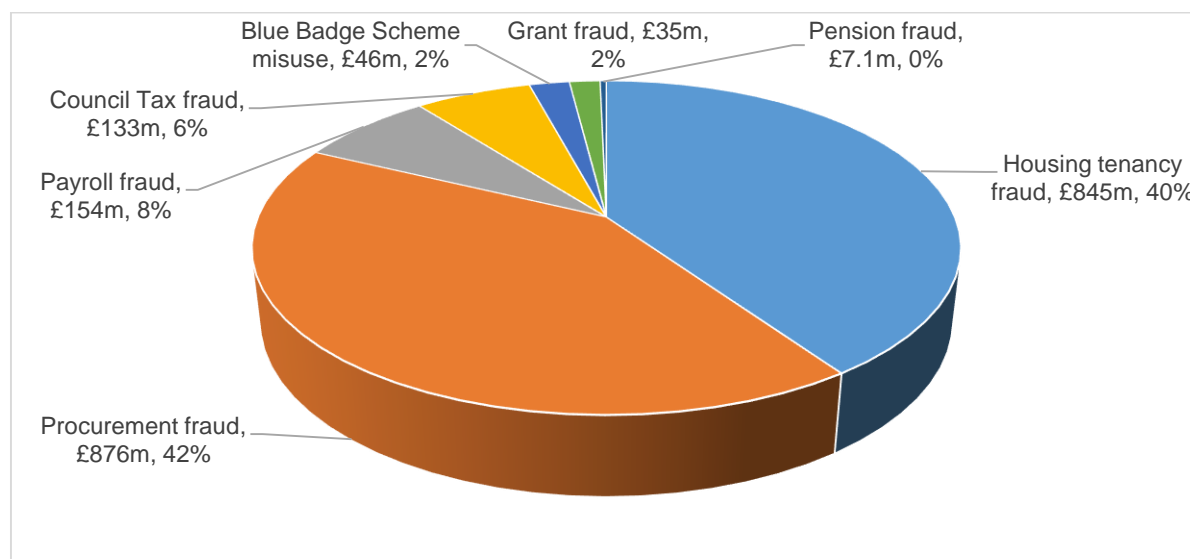
1.4. Furthermore, the Local Government Association (LGA) has stated that Council leaders have reported a 40% increase in reported scams since the start of the Coronavirus crisis. However, reported detection and prevention is down against these figures.

1.5. The Council takes part in the CCFC's Counter Fraud and Corruption Tracker (CFaCT) which continues to provide a national picture on the types of fraud, bribery and corruption in local government. Around 60% of County Councils responded to the CFaCT 2019 survey. The tracker allows the Council to consider trends and analysis in a meaningful, comparative way. Key findings from the 2019 exercise are set out below:

2019 key results

↓ Total value of detected fraud or prevented is down: £253m in 2018/19 from £302m in 2017/18	→ Average value per fraud has remained the same at £3600 in 2018/19	↓ The number of frauds detected or prevented has decreased to 71,000 in 2018/19 from the 80,000 cases found in 2017/18

Source: CFaCT Summary Report 2019 – based upon estimated total figures

The main targets for fraud, based on the volume of investigations or value of the financial loss, are set out below in Figure 2.

Figure 2 – Key targets for fraud against local authorities extracted from CFaCT

Fraud Target	Movement in Value/Volume 2017/18 to 2018/19	Context to fraud target
Disabled Parking Concessions	↓ Nearly 50% decrease in volume ↑ 32% increase in value	• No standard way to calculate the value of this type of fraud • Offenders are often prosecuted and fined • Cost awarded to prosecuting authority but may not meet the full cost of the investigation and prosecution • This type of fraud may be an indicator of other benefits-related frauds
Adult Social Care – personal budget	↓ 30% decrease in volume ↑ 200% increase in value	• The steady decline in personal budget fraud in 2017/18, which saw the average value per case for all adult social care cases reduce from £12,500 to £9,000, was reversed in 2018/19 where the average value per fraud increased to £29,000. This was primarily as a result of a small number of very high value frauds in two councils. Excluding these, the decline in value and volume has continued. • Other fraud showed a 39% decline in numbers of cases and a small increase in value overall from £4m to £4.1m across all councils. • Whilst many authorities have strengthened controls and funded training to tackle personal budget fraud resulting in positive outcomes in terms of volume of cases, the small number of large frauds shows the scope of possible fraud in this area.
Adult Social Care - other	↓ 39% decrease in volume ↑ 17% increase in value	
Insurance	↑ 171% increase in volume ↑ 260% increase in value	• The volume of insurance frauds in 2018/19 was 318 cases, compared to 117 in 2017/18 and the value was £12.6m compared to £3.5m respectively. • Analysis shows many cases relate to injury at work and low value public liability claims. • Targeted work to tackle insurance fraud - insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system. • These actions have contributed to higher levels of fraud detection and prevention through risk management.

Fraud Target	Movement in Value/Volume 2017/18 to 2018/19		Context to fraud target
Procurement	↓	12% reduction in volume	• The increase is attributed to mainly one organisation, which shows that this remains one of the most significant areas of fraud risk.
	↑	290% increase in value	• The volume of prevented or detected frauds was 125, whereas the value increased from £5.2m in 2017/18 to £20.3m in 2018/19.
			• It can be difficult to measure the value of fraud cases
			• 12% of reported cases were insider fraud
			• A further 5% were linked to serious and organised crime.
Serious & Organised Crime	↓	Number of cases halved	• All this year's cases came from larger districts, London Boroughs and Counties.
			• 35% of Councils responding include serious and organised crime in their risk registers.
			• Ministry of Housing, Communities & Local Government is targeting this area and its links with procurement fraud.
Payroll	↑	Volume remained static Value increased 700%	• The increase in payroll fraud from £1.01m 2017/18 to £8.77m in 2018/19 was inflated by one incident of payroll fraud that was prevented.
Expenses	→	Volume and value remained the same	• Payroll has had the highest volume and value of fraud out of these four areas for every year since 2017/18. Recruitment fraud has the second highest with an estimated average of £11k per case. - Fraud in this area includes false job histories, qualification, references and right to work in the UK etc. Fraud practitioners' work often results in applications being refused or withdrawn, therefore the value of cases is likely to represent estimated savings in salary that would otherwise have been paid.
Recruitment	↓	36% decrease in volume 22% decrease in value	
Pension	↓	6% reduction in volume 60% reduction in value	

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. Internal Audit, the Counter Fraud Specialist and departmental staff undertake a variety of activities on a daily basis that 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 have tried to recognise both fraud detection and fraud prevention outcomes in assessing the value of the Council's overall exposure to suspected and possible fraudulent activity.

2.3. During 2019/20, updates on counter fraud activities and suspected cases were brought to the attention of the senior leadership team and were also discussed at regular meetings between the

Group Manager – Assurance and the Chair of the Governance & Ethics Committee. The progress with counter fraud activities and case work is reported in the form of a Counter Fraud Progress Report to the Governance & Ethics Committee during the year.

2.4. Figure 3 analyses the trend over the last five years in the number and value of fraud prevention and detection cases at the Council. In 2019/20, the total number of cases has remained much the same, however, the estimated value has increased considerably. Members were notified in December 2019 that due to the vigilance and prompt action by staff in the Business Services Centre, a fraudulent payment of £1.9m was blocked and the matter was reported to Action Fraud. Similarly, two further attempts to change bank account details of supplier invoices were also prevented due to staff vigilance, saving £212,425. NCC savings were also identified as a result of Adult Social Care financial checks for contributions towards direct payments (estimated at £352,872). The remaining cases included in the analysis incorporate activity to prevent payments, stop incorrect entitlement, reduce contributions paid by the council or to challenge insurance claims.

Figure 3
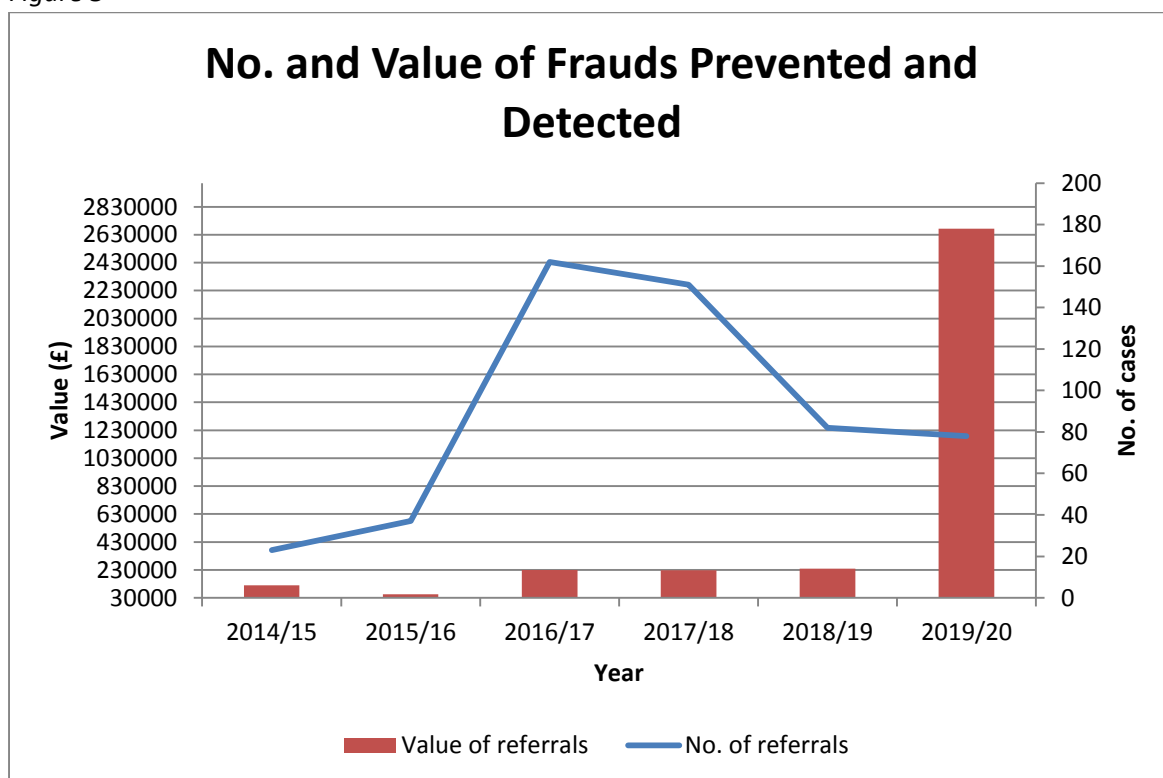
2.5. The chart above shows an increased value of detected and prevented fraud compared with recent years. A summary of the cases identified in 2019/20 is presented below:

Figure 4 - Summary of prevented and detected cases of fraud concluded in 2019/20

Nature of fraud	No of Cases	Detection Source	Value involved (£)	Response status
Insurance – suspected fraudulent claims	4	Internal controls within claims handling	78,800	These claims were successfully defended

Nature of fraud	No of Cases	Detection Source	Value involved (£)	Response status
Social Care – Financial Assessments – Deprivation of assets Unproven	48 9	Internal Controls through ASCH Reviewing Team	352,872	Estimated annual reduction in NCC costs as a result of checks
Social Care – Carer used appointee's pre-paid bank cards - 3 people	1	Unknown	3,000	Court action taken and carer paying back service users.
Social Care – Cloning of purchase cards used at a care home	1	Internal controls and bank checking	2,711	£2,500 payment stopped by bank and rest reimbursed
Social Care – Deprivation of assets	1	Police identified through other investigations	45,000	Police continue to investigate
Social Care – Theft of safe and contents	1	Internal Controls	53	Investigated by Police and Barclays bank. Cheques stopped
Social Care – Misuse of funds in Children's Centres	2	Internal Controls	5,056	TBC
Social Care – Direct Payments Misuse	2	Internal Controls – Annual Audit	1,350	Invoices raised and recovery in progress
Social Care – Non notification of death at a care home	1	NFI checks	6,409	Monies recovered from Care Home
Schools – Cheque Fraud – attempted cloning of cheques	2	Internal Controls and Bank notification	49,460	Investigated by Barclay card, cheques stopped and reimbursed
Schools – False supplier payment through hacked School email account	1	Internal Checks	13,733	Bank returned funds
HR – Employee lost Service User funds	1	Internal Controls	200	HR took disciplinary action
Business Support Centre – Bank mandate fraud	2	Internal Controls	214,425	Payments prevented due to internal controls
Business Support Centre – Bank mandate fraud	1	Prevented through internal controls	£1.9m	Reported to action fraud
Insurance – successfully defended claims	1	Internal controls within claims handling	2.2m *	Internal controls
TOTALS	**78**		**2,673,069**	
Cyber Security (numerous daily attempts)		ICT controls	**Unquantifi-able**	External and internal defence systems to prevent and detect attacks

Nature of fraud	No of Cases	Detection Source	Value involved (£)	Response status
Blue Badge – Misuse (0, PCNs issued, 12 stolen badges cancelled)		Civil Parking Enforcement Officers	**Unquantifiable**	Misuse resulting in the cessation of pass
*1 – value for outcome excluded for consistency of comparison				

2.6. Figure 4 above demonstrates the continuing counter fraud strategy over the past few years for focusing on prevention and detection of fraud. This can be attributed to a number of factors including:
- Corporate Leadership Team and senior member commitment to the counter fraud agenda through the development and backing of the Counter Fraud and Counter Corruption Strategy
- 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
- 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.

2.7. 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.

Figure 5 – Transparency Data

Information	2017/18	2018/19	2019/20
No. employees involved in fraud investigation	28	25	29
No. professionally accredited fraud specialists	1	1	1
Cost of employee time investigating fraud	£71,614	£72,744	£159,167
No. fraud cases investigated	151	82	81

2.8. The cost of staff actively involved in identifying fraud has increased since the previous year, mainly due to more robust engagement of ACFS in challenging the deprivation of assets when reviewing adult care financial assessments. Consequently, this has resulted in the value of savings to NCC being significantly higher in this area.

Comparison of NCC's fraud exposure against national trends

2.9. A comparison of the fraud experience at Nottinghamshire over the past year against the national trends summarised above identifies a number of points of note:
   a) **Disabled parking concessions** – National trends show a decrease in the number but increase in the value of cases identified. NCC has shown a decline in the identification of cases over the last 12 months. This is due in part to there being no dedicated staff actively looking for this type of fraud. This is an area that Internal Audit and the Counter Fraud Specialist had previously identified as an outlier for priority attention in 2019/20. Further analysis on Blue

Badges using the latest NFI value and recording cancellations continues to be a focus and 576 badges were cancelled as a result of the 2018/20 exercise (in previous year's this figure was not captured although NFI checks did result in badges being revoked). However, this remains an area for further development.

b) **Adult social care deprivation of assets** – in common with national trends, NCC continues to identify cases of fraud and error within the adult social care environment. Although this year, the number of new cases of deprivation of assets detected has declined slightly, the value of those detected has increased significantly, saving the local authority and estimated £352k. The Direct Payments Team is working with the Reviewing Team using new process maps for taking strong recovery actions and sanctions – see section 4.15.

c) **Insurance** – in common with national trends, NCC has identified and defended higher numbers of fraudulent claims which is due in part to the internal controls in place and additional training previously provided to Insurance Claim Handlers.

d) **Mandate Fraud** – Three attempts were made to change bank details for suppliers including two for one supplier, saving £2.1m and another for a Taxi operator saving over £5k.

National Fraud Initiative (NFI)

2.10. Internal Audit continues to be the key point of contact for NFI. The 2016-18 exercise has now been completed and the key statistics for Nottinghamshire were:

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

14,534 total matches
4,282 high priority matches

NCC staff examined 7,632 matches on a risk basis and 10 cases remain in progress

£53,008 of outcomes identified
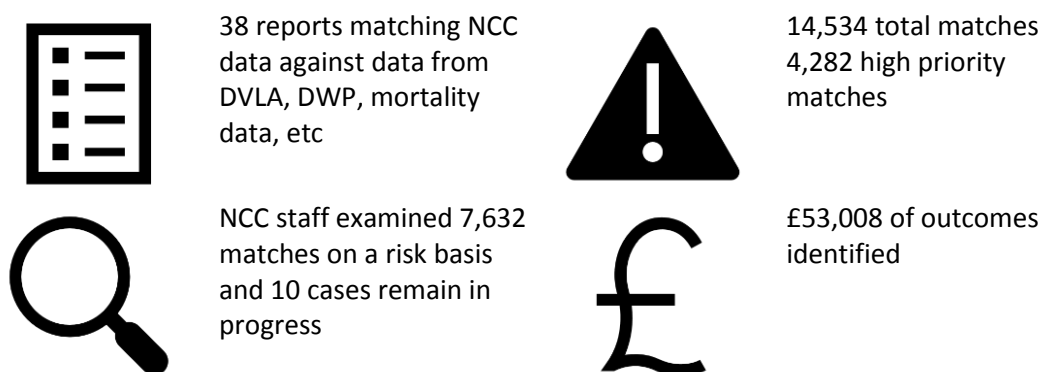
2.11. The 2016-18 NFI national outcomes in the headline categories of fraud for County Councils are shown below, alongside the NCC outcomes. A statement with the full picture for 2018-20 will be provided to a subsequent Committee meeting once the data matching exercise has been completed.

Figure 7

Category	NFI	NCC 2016-18	NCC 2-18-20 (To date)
Pension Overpayments (Deceased)	£144.8m	£*	£69,511
Personal budgets	£0.5m	£5,848	£2,049
Trade Creditors	£4.3m	£1,498	£0
Payments to Private Care Homes for Deceased Persons	£275	£0	£6,409
Total	**£6.248m**	**£7,346**	**£77,969**
Other significant results			
Blue Badges cancelled or withdrawn (no's)	31,223	*	576
Concessionary Travel Passes Cancelled (no's)	234,154	2	0

* Figures not previously recorded, although checks were undertaken

Figures on the above table are included in figure 4 where appropriate.

2.11. The Customer Service Centre have been pro-active in the last year in identifying and cancelling blue badges that should no longer be in use - highlighted through the NFI process. This has led to 576 badges being cancelled.

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 national publications (Cifas – FFCL), professional bodies (CIFPA) and our collaboration with Assurance Lincolnshire. In addition to intelligence gathered from these networks, information is also drawn from:

- National Anti-Fraud Network and National Fraud Intelligence Bureau alerts which are routinely received, reviewed and disseminated by Internal Audit.
- 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.

3.2. The latest review and update 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.
- 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) Economic and Voluntary Sector Support Fraud / Grant Fraud (due to Covid 19)
- Pension Fund – continuation of payments in respect of deceased persons
- Blue Badge – invalid use of parking permits

Internal Threats

- Collusion – two or more employees acting together to nullify internal checks
- Banking – including the misappropriation of cash, bank reconciliation and bank mandates
- Payroll – submission of false claims for overtime, allowances and expenses
- Procurement – abuse of procurement processes and procurement cards
- Payments – abuse of position due to temporary reduced levels of control over 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 the latest iteration of the FRA 2020-21. As such, whilst we are transitioning from emergency response through to recovery and renewal, additional focus will be on 'post-payment assurance' and post-verification checks.

3.4.   Activities to address the risks are subsequently included within Internal Audit's termly planning process. The Council's resilience to these higher risk exposures to fraud is highlighted in the next section of the report and an action plan is included at the end of this report to identify how the residual threats are being addressed.

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. During the year members have been appraised of the development and review of the work of internal audit and the counter fraud specialist in relation to:
*   Counter Fraud Progress Report;
*   Public Sector Audit Appointments;
*   Review of Counter Fraud & Corruption Policy; and
*   Fraud Response Plan.

4.2.   Internal Audit supports the counter fraud agenda with periodic reports on plans and progress through routine updates and meetings with the Chair of the Governance and Ethics Committee, to discuss developments and potential fraud cases.

Internal Audit and Counter Fraud

4.3.   The Internal Audit Team, through the CIFPA Accredited Counter Fraud Specialist, continues to promote the counter fraud agenda through the dissemination of information and advice to co-ordinate the counter fraud messages. This has been re-enforced to staff across the council through the development of on-line fraud awareness materials and through 'Team Talk' and 'Intranet News' items over the year and to coincide with the International Fraud Awareness Week in November 2019.

4.4.   In accordance with the actions detailed in Section 5 – the Action Plan , over the last 12 months the Counter Fraud Specialist has been engaged with CIPFA, MHCLG and Cifas in order to contribute to, and gain insight from, the national fraud agenda. Cifas, supported by the Local Government Association and CIPFA, have refreshed the FFCL strategy and MHCLG have published a review of fraud and corruption risks within procurement as part of the UK Anti-Corruption Strategy. The Council, through the Counter Fraud Specialist, has been engaged in the development of these publications and is well placed to compare NCC practice to these national publications.

4.5.   During the year the Council's Counter Fraud Strategy and supporting policies, such as the Council's Anti-Money Laundering Policy and Fraud Response Plan, have been reviewed and

refreshed. In addition, in light of a new EU Directive to protect Whistleblowers (April 2019), the Council is to undertake a more detailed review of the Whistleblowing Policy during the course of 2020.

4.6. The Counter Fraud Specialist has developed links with other teams across the Council to promote and disseminate the counter fraud messages and to address some of the national risk areas. Work has been undertaken with the Ministry of Housing Communities & Local Government (MHCLG) and Procurement to review potential cartels and engage with a national study into Procurement Fraud and Corruption Risk. The results of the review were published in June 2020 and, in the midst of this work, the immense pressure for local authorities to deliver services at pace for their communities relating to the Covid 19 crisis has proven timely. The report outlines lessons that can be learnt and a risk matrix, which highlights possible measures councils could implement to strengthen their resilience to the risks of fraud in current times.

4.7. The results of this work will provide insight at a national level on techniques and approaches to address the various stages of procurement fraud. In the meantime, this insight has been used to develop a pro-active piece of internal audit work in relation to contract management which forms part of the post procurement stage.

4.8. Recent links have been made with Risk & Insurance and Trading Standards:

- Risk & Insurance - potential for intelligence gathering and data sharing with Zurich Mutual, who have access to industry networks and co-ordinated links with the City of London Police, along with development of the Insurance Team's Insurance Fraud Policy.
- Trading Standards - exploring the co-ordinated use of investigation resources to support investigations undertaken by Internal Audit.

4.9. Internal Audit has taken the lead on the completion of the Serious and Organised Crime audit endorsed by the Home Office and the Ministry for Housing, Communities and Local Government. Since the previous annual fraud report this piece of work has been completed, recommendations made and implemented. We have provided an update to members of the Governance and Ethics Committee on subsequent progress. A key element of this work was closer liaison with the National Government Agency Intelligence Network (GAIN) Coordination & Disruption Team Manager to refine matches within the data-washing exercise. The first exercise identified no targets, however further data washing exercises are to take place on a six-monthly refresh basis. This work will continue throughout 2020/21.

4.10. The Council continues to utilise a range of fraud prevention techniques including the use of technology to detect and prevent fraud. Internal Audit has been involved in the use and development within departments of several solutions as set out below:

- Data Analytics – using data analytic software (IDEA and Excel) to process high volumes of data populations, not only to provide additional assurance to management on the effectiveness of internal controls but also to identify outliers. Internal Audit has developed the use of data analytics through its Data-Enabled Audit Strategy in a number of assignments over the last 12 months, notably in relation to audit work on the payroll and HMRC.

- Business Services Centre – the use of pre-payment software to detect duplicate payments ahead of authorising payments continues to generate successful results. The BSC has also developed the use of software to monitor transaction compliance against expected internal controls. Breaches are subsequently reported to management.
- Data Matching – Internal Audit continues to co-ordinate participation in national exercises such as NFI and NFI Recheck, but also use local forums to share intelligence and approaches with other Councils.
- ICT - continue to use technology on a daily basis to detect and deflect virus, malware and other malicious attacks against the Council.

Business Services Centre (BSC)

4.11.   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

- The BSC requires all new and existing employees taking up new posts to provide evidence of their right to work in the UK.
- Details of employees with temporary leave to remain in the UK are logged within BMS and managers notified through the BMS worklist to complete the necessary recheck.
- The BSC introduced an online referencing application with inbuilt alerts in March 2018 and as a result of this have seen an increase in reference response rate from 35% to 85%. This also resulted in a reduction in the time for completed references to be returned; these are normally returned within 3 days.
- Disclosure and Barring Service (DBS) checks (including identity checks) are carried out for prescribed categories of employee.

4.12.   The BSC reviewed the use of 3rd party analytical software to identify potential duplicate supplier payments and the decision was taken not to renew the contract when a comparison of the cost and recovery was undertaken due to the limited benefit it offers. The BSC utilises the NFI data checking service. This identified a duplicate payment of £26,880 (£22,400 and £4,480 VAT). The reason being that 2 purchase orders were raised in error for the same charge, paid against 2 different invoice numbers and against 2 different vendor numbers (contract novation between 2 companies).

4.13.   The BSC continues to use the NFI Re-check service for DWP payments on a 6 monthly basis. In September 473 matches were returned with a total overpayment of £42,950.74 identified. 333 of these cases had already been picked up through the normal checks undertaken by the BSC, the remaining 140 had been overpaid, of which 110 have been sent an invoice. Further probate checks are being undertaken in respect of the 30 outstanding cases so that invoices can be sent. In addition, a total of 35 matches were reported back following the Re-Check undertaken in early 2020 involving potential overpayment to the value of £26,560.18. Next of kin details were only available for one member. Probate checks are being pursued for the remainder. If next of kin details are confirmed, invoices will be issued to recover the overpayment.

Cyber Security

4.14.   The cyber security agenda continues to make national headlines, and this is compounded with the current national restrictions caused by the world wide Covid 19 Pandemic. Cyber security risk continues to be reviewed and updated via the Corporate and ICT Risk Management Process, and in line with the National Cyber Security Centre (NCSC) and Local Government Association (LGA) Directives and Best Practices. The Council's ICT department continue to

employ a range of security measures to provide for digital and physical asset protection and during the year have successfully defended a variety of cyber related attacks. IT Security policies are reviewed annually and NCC's cyber security is externally certified against Cyber Essentials, the Public Services Network Code of Connection and the Data Security Protection Toolkit. Developments and updates on cyber security are taken to the Governance and Ethics Committee .

Adult Care Financial Services Department (ACFS)

4.15.   The misuse of direct payments and intentional deprivation of assets continues to be a significant area of fraud nationally and across the Council.

4.16.   The Council, through the actions of the ACFS, have developed a proactive approach and has in place rigorous measures to ensure that the misuse of Direct Payments is minimised wherever possible. This outcome is reflected in the table by preventative results. Subsequent to an audit of Direct Payments, ACFS have been involved in the development of the Direct Payment Policy which was finalised in February 2019, together with a revised Direct Payment Agreement and staff guidance which includes the Direct Payments Auditing and ACFS escalation process. The Council continues to proactively identify cases of misuse, resulting in invoices being issued for repayment and alternative 'managed' services being provided where necessary.

4.17.   As mentioned above at paras 2.4 and 2.9b, the ACFS proactive approach to challenging and dealing with deliberate deprivation cases has become fully embedded within the financial assessment process. In-year cases continue to be identified following peaks in previous years where historic cases were revisited to challenge previous assessments. Where the challenge process identifies the intentional deprivation of assets, notional capital is used to reduce the contribution that would have been made by the Council. The proactive challenge by ACFS may not always identify a fraud but generates a saving to the Council. The annual report also identifies where recovery action has been undertaken in accordance with Section 70 of the Care Act 2014.

Risk & Insurance

4.18.   The Risk and Insurance Team continues to use a 48-point checklist to screen claims on a risk basis to detect false, exaggerated and potential fraudulent cases. This proactive work has been supported with specific training for the Team provided through the Council's insurers, Zurich Municipal. This brings the opportunity to share knowledge and experience, along with access to industry networks and co-ordinated links with the City of London Police.

4.19.   Each year, on average, the Council receives approximately 800 liability claims. These can be from employees or members of the public who are claiming for damage to property or injuries which have allegedly arisen from the Council's negligence. The majority of the claims result from accidents on the highway.

4.20.   Each liability claim is thoroughly investigated, and payments are only made where we believe that the claim cannot be defended. In 2019-20, 451 claims were concluded without payment of damages, the estimated cost of these claims would have been approximately £2.2m. Because of the nature of the Council's insurance arrangements, had the claims not been dealt

with robustly the majority of the cost would have had to be funded by the Council. Eleven of these claims proceeded to trial and were successfully defended in Court.

4.21.   All liability claims are screened for potential fraud. Four of the claims settled in 2019-20 had been flagged with an "amber" fraud status. Amber indicates that the Risk and Insurance Team had concerns about the credibility of the claim. All four claims were successfully defended. The initial estimated value of the four claims totalled £78,800.

Schools Finance

4.22.   Advice on finance and governance continues to be provided by Schools Finance who continue to liaise with Internal Audit in relation to potential fraud cases. Schools Finance and Internal Audit liaise directly with head teachers and office managers through the school's portal to disseminate counter fraud messages and alerts. Internal Audit have been involved in various cases during 2019/20 which have involved: cheque fraud and illegally accessing the bank account, totalling £63,193.

4.23.   During 2019/20 School's Finance have taken over responsibility for visiting schools to provide enhanced coordination of the counter fraud activity and dissemination of advice directly to schools. They continue to visit schools on a five-year basis to review internal controls and controls in relation to potential fraud risks. Findings from individual reviews have provided intelligence to identify areas of fraud risk and to disseminate warnings to others. This has been especially relevant during Covid 19 where the Internal Audit Team disseminated specific counter fraud advice to schools.

Blue Badges

4.24.   Blue badge misuse continues to receive national recognition and has been identified as an area of increased risk. The Enforcement Team regularly undertakes spot checks of Blue Badges when used in parked vehicles to ensure that the badge is being used correctly. Whilst no fraud cases were identified by NCC in 2019/20, this normally results in Penalty Charge Notices issued when there is evidence that the badge holder is not present and a subsequent letter is sent warning of the potential implications for mis-use. The Blue Badge Team who administer the applications also continue to be vigilant to potential fraud and abuse and will alert the Enforcement Team of any suspicious applications including repeated claims of badges being lost. NCC is also assisted by the City Council and Police Compliance and Fraud Officer who will notify NCC of any cases of badge misuse taking place in the City and carry out any prosecutions in relation to those cases. The Blue Badge Team continues to participate in the National Fraud Initiative and using the information relating to deceased badge holders, the team subsequently cancelled 576 active badges. This is a priority area for increased counter fraud activity.

4.25.   The team also process the Tell us once (death registrations) and cancel any badge that has been surrendered at the death registration appointment. This is a daily duty that is undertaken. Any reports of misuse or fraud by professionals or members of the public are raised with the enforcement team for action and notes placed on the badge holders' electronic customer record. Last year the team cancelled 12 badges reported to have been stolen and 106 badges reported to have been lost.

5. Action Plan

5.1.   The following sets out a summary of progress against the actions included in the previous annual fraud report, followed by new actions for 2020/21.

Action	Timescale	Responsibility	Progress & revised timescale
Respond to any issues identified by the data-washing exercise with Nottinghamshire Police	March 2019	Head of Internal Audit	**Achieved** – Established a protocol with GAIN to submit datasets every six months.
Pro-active work with the Travel & Transport team to respond to the threat of Blue Badge and Concessionary Travel Fraud	January 2019	Head of Internal Audit	**Partially Achieved & Ongoing** – Blue Badges have been cancelled using the latest NFI data. Ongoing work with Concessionary Travel regarding assurance checks and internal controls with a view on fraud controls as well.
Review of the Counter Fraud and Corruption Strategy and the Fraud Response Plan.	April 2020	Head of Internal Audit with the assistance of the Head of Legal Services	**Achieved** – both documents updated
Work with Legal Services to develop a proposed protocol for the pursuit of private and civil prosecutions. This will be included in a wider review of the Counter Fraud and Corruption Strategy and the Fraud Response Plan	April 2020	Head of Internal Audit with the assistance of the Head of Legal Services	**Partially Achieved** – Initial feedback with legal services. This will be taken forward as part of the 2020/21 action plan.
Pro-active work with the Group Manager – Procurement to assess vulnerability to contract management fraud.	November 2019	Head of Internal Audit	**Achieved** –Contract management audit complete – Limited Assurance. Working closely with the Group Manager Procurement on improvements to contract management systems and controls.
Update of the self-assessment for the Council's defences against	July 2019	ICT Service Manager	**Achieved**- Updated reports to Committee.

Action	Timescale	Responsibility	Progress & revised timescale
cyber fraud and review progress against the action plan			
Continue to support the Direct Payments Team to map and review processes for fraud/overpayment referrals	September 2019	Head of Internal Audit & Service Director Strategic Commissioning, Adult Access and Safeguarding	**Achieved -** Revised mapping has been completed.
Develop e-learning materials to respond to tax evasion risks arising from the Criminal Finances Act Policy	August 2019	Head of Internal Audit	**Achieved** – e-learning materials completed.
Disseminate insight and responses to fraud alerts through 'Team Talk' to coincide with International Fraud Awareness Week.	March 2020	Head of Internal Audit	**Achieved** – Also ongoing as updates planned every 6 months.
New actions for 2020/21			
Review the Fighting fraud and Corruption Locally strategy and complete Counter Fraud Checklists.	September 2020	Head of Internal Audit	**Ongoing**
Review the findings from the MHCLG – Fraud and Corruption in LG Procurement Work with the procurement team.	September 2020	Head of Internal Audit	**Ongoing**
Incorporate 'Post Payment Assurance' work within future pro-active work during the recovery phase of Covid 19	September 2020	Head of Internal Audit	**Ongoing**
Increased oversight of the risk management process to ensure that risks are appropriately managed.	March 2021	Head of Internal Audit	**Ongoing**
Continue to work with GAIN for data-washing exercises	March 2021	Head of Internal Audit	**Ongoing**
Review of the Counter Fraud and Corruption Strategy and the Fraud Response Plan.	March 2021	Head of Internal Audit with the assistance of the Head of Legal Services	**Ongoing**
Disseminate insight and responses to fraud alerts through 'Team Talk' to coincide with International Fraud Awareness Week.	March 2021	Head of Internal Audit	**Ongoing**