North Norfolk District Council – Fraud Risk Assessment April 2022

1.   Introduction

1.1   The Council recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator 2017, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, with £7.3bn of this total being lost in local government.

1.2   For local authorities in the UK, CIPFA has estimated that the total value of fraud identified and prevented in 2019/20 is approximately £239m. The latest CIPFA fraud tracker report shows that council tax continued to be the largest area of identified fraud for councils, with more than 30,600 cases totalling £35.9m in 2019/20, the majority of which relates to single person discounts.

1.3   Since 1 April 2015 all potential Housing Benefit fraud issues have been referred to the Department of Work and Pension's (DWP) Single Fraud Investigation Service (SFIS) who have sole responsibility for all investigative matters. The DWP does not report to North Norfolk District Council regarding all the outcomes or financial results of cases.

1.4   The Council used to have a dedicated fraud resource (2 x FTEs) within the Revenues and Benefits service area. However, this resource transferred to the DWP In April 2015 and was never replaced and whilst all officers have a responsibility to try to detect and mitigate fraud, the Council no longer has any dedicated resource to give this matter the focus it requires.

1.5   The assurance review of Counter Fraud and Corruption (NN/22/04) was completed in March 2022 by Internal Audit and was given a 'limited assurance' level, making a number of recommendations designed to help strengthen the Council's approach to fraud and corruption.

1.6   The purpose of this report is to address some of the recommendations contained within the audit report and to inform Members of the current fraud trends affecting the public sector whilst highlight the fraud risk assessment that has been undertaken to outline the Council's arrangements in the fight against fraud and corruption.

2.   Background

2.1   The Council has a Counter Fraud, Corruption and Bribery Strategy which was produced by the Head of Internal Audit and was approved by Cabinet in September 2020. However, as outlined above, the Council no longer has any dedicated resource to help proactively tackle fraud and corruption and while it is incumbent on all officers to try and avoid and mitigate fraud wherever possible, lack of resources makes this difficult.

2.2   Recent audit work has highlighted a number of areas for improvement and this includes audit NN2209 Covid Business Grants. This recommended that the current policy be updated. The target for this is for it to be considered by the Governance, Risk and Audit Committee (GRAC) in June 2022 ahead of approval by Cabinet.

2.3   National fraud intelligence received through publications such as CIPFA's annual Fraud and Corruption Tracker (2020) and Fighting Fraud and Corruption Locally – the local government counter fraud and corruption strategy (Cifas, 2020) helps to inform

local authorities of key fraud risks for councils and also of emerging frauds relevant to the sector.

3.   Current fraud risk areas

3.1   According to the 2019/20 CIPFA Fraud and Corruption Tracker (CFaCT) the main types of fraud affecting the public sector are as follows;

- Council tax – Council tax continues to be the largest area of identified fraud nationally in the last six years and is the top fraud risk area for district and unitary councils, 57% and 32% respectively. The most significant area is Single Person Discounts (SPD), followed by council tax reduction (CTR) and then 'other' areas (discounts and exemptions).

Estimated council tax fraud

	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
SPD	46,278	£15.8m	44,051	£19.4m	23,982	£28.9m
CTR	8,759	£6.1m	8,973	£7.2m	3,845	£4.9m
Other	2,857	£4.5m	2,831	£4.0m	2,794	£1.9m
Total	57,894	£26.3m	55,855	£30.6m	30,622	£35.9m

- Housing – While illegally sublet properties and Right to Buy frauds continue to fall year on year, the volume of other housing fraud such as succession and application fraud has increased significantly. While the majority of this type of fraud risks sits with housing associations there are direct impacts for the Council in terms of preserved Right to Buy receipts which help to fund our capital programme. The Council does also operate its own stock of temporary accommodation.

Estimated housing fraud

	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
Right to buy	1,518	£92.0m	652	£46.0m	584	£30.7m
Illegal sublet	1,051	£55.8m	826	£41.8m	605	£31.6m
Other *	2,164	£68.3m	2,154	£47.7m	3,802	£60.1m
Total	4,733	£216.1m	3,632	£135.6m	4,991	£122.4m

* Other includes tenancy frauds that are neither right to buy nor illegal sublet and may include succession and false applications.

- Business rates - Business rate fraud represents 1.0% of the total estimated number of cases proven to be fraudulent in 2019/20. This represents a marginal decrease from the previous year's figure of 2.0% and is reflected in the fact that the estimated loss decreased from £8.0m in 2018/19 to £6.2m this year. Nonetheless, it was recorded as the third highest fraud risk area on a national scale, as well as fourth highest specific to districts.

3.2 Other notable frauds that did not emerge as major types of fraud within the national picture include those outlined below, more details for which can be found within the CFaCT report linked above;

- adult social care
- insurance
- procurement
- no recourse to public funds/ welfare assistance
- payroll, recruitment, expenses and pension
- economic and voluntary sector support and debt
- mandate fraud, manipulation of data and grant fraud

3.3 As well as the CFaCT reports other sources of intelligence which the Council can access include membership to the Government's counter fraud knowledge hub . This Network has been created to be a central hub for discussion amongst members in the forum, to share resources and documentation in the library and to provide news and blogs that may be of interest to Members.

3.4 In relation to NNDC performance covering housing benefit and council tax support - during 2020/21 the Council paid £21m in Housing Benefit (HB) and £7.5m in Council Tax Support (CTS). The Council also paid out a further £0.5m to households under the Council Tax Hardship Fund.

3.5 From April 2020 to March 2021, the District Council made 23 referrals to the Single Fraud Investigation Service (SFIS). Within the same 12-month period, there were no requests for information from the SFIS and £0k of Housing Benefit has been identified as overpaid. This was due to the Department for Work and Pensions (DWP) pausing SFIS during the pandemic.

3.6 During 2021/22 the Council paid £19.5m in Housing Benefit (HB) and £7.5m in Council Tax Support (CTS).

3.7 From April 2021 to March 2022, the District Council made 9 referrals to the Single Fraud Investigation Service (SFIS). Within the same 12-month period, there were 19 requests for information from the SFIS made to the autho0rity and £3.5k of Housing Benefit has been identified as overpaid.

4. Covid-19

4.1 Covid-19 continues to see fraudsters exploring many, and sometimes innovative, ways to perpetrate fraud. The UK Government response to the pandemic continues to be particularly vulnerable to fraud, owing to the novelty and speed with which new measures were introduced and the size of economic relief schemes, many of which are passed down to local government to distribute further.

4.2 Raising fraud awareness continues to be a major defence against fraud. The fraud pages on the Council's intranet have been updated with Covid-19 specific information,

and targeted communications to staff and managers continue to be issued through a variety of means, including CLT updates and staff briefings.

4.3   The Council has achieved exceptional award-winning performance for the administration of nearly £130m of business grants during the Covid pandemic. The Council has been able to achieve this success by taking time at the outset to consider the best way to deliver the various grant streams in a timely manner whilst minimising fraud and error.

4.4   As well as building in a number of safeguards at the outset of the schemes to minimise any fraud, the Council is also supporting with the post-assurance fraud checks across the various grant schemes which are being managed by the Department for Business, Energy & Industrial Strategy (BEIS).

5.   National Fraud Initiative (NFI)

5.1   This is a national matching exercise which is run by the Cabinet Office. It is a statutory requirement for all local authorities to provide data; data is then matched both internally and with other authority's data to provide matches which require further investigation.

5.2   There are two main data exercises; the first is the national exercise and is run every two years and the other looks at Council Tax single person discount and is run every year. As part of the national exercise, the Council has to provide data sets for; Housing Benefit, Council Tax Support, Creditors, Payroll, Licences and Housing Waiting Lists in October and the matches then become available the following February.

5.3   The Single Person Discount (SPD) exercise takes the data for Council Tax and the Electoral Register and matches these every year around December and the results are immediately available.

5.4   The 2021 exercise generated 17,359 matches, the NFI has classified most matches with a risk assessment but less than 1% of the reported risks were ranked as High. This ranking is based on the quality and value of the match. The Revenues team will consider how to progress these matches over the coming months once the energy support payments have been made.

5.5   There are constant improvements in the process which this time included matching to HMRC data. Unfortunately, the quality of these matches is not high. The HMRC gather data from employers and employers contact addresses for their payroll are not always up to date. This data set has generated a lot of matches which when investigated are not useful and as the data is not the council's there is no ability to correct it.

5.6   The Council has to ensure that all data subjects are aware of the possibility of using data in this way, and it has to ensure that the data is used only for the purposes it is provided.

6.   Fraud Risk Assessment 2020/21

6.1   The CIPFA Code of Practice – Managing the Risk of Fraud Corruption recommends that local authorities identify and assess the major risks of fraud and corruption to the organisation. This was also a recommendation which was picked up in the recent audit (NN/22/04).

6.2 The assessment for North Norfolk District Council can be found within Appendix C. The key potential fraud areas are summarised within the table below, the appendix contains any associated improvement actions.

Risk Area	Risk Category
1. Council Tax & Business Rates Frauds (discounts and exemptions)	High
2. Council Tax Support Fraud	High
3. Covid-19 Grants	High
4. Energy bills rebate	High
5. Creditor Fraud	High
6. Cybercrime	High
7. Procurement Fraud	High
8. Theft of Assets	High
9. Internal Fraud	Medium
10. Recruitment Fraud	Medium
11. Fraudulent Insurance Claims	Low
12. Treasury Management	Low

6.3 The assessment also includes actions to help improve and better safeguard against the risk of fraud and these include a responsible officer and a deadline for implementation.

7.   Action Plan

7.1 As part of the recent audit work (NN/22/04), recommendation 6 proposed that an annual counter fraud and corruption action plan be produced in respect of counter fraud work and linked to the annual audit plan. It also recommended that the agreed plan should be agreed by the GRAC and shared with Members and senior management.

7.2 This plan can be found within Appendix 1 along with the actions recommended, responsible officers and timescales for implementation.

Reference materials for staff

Fighting Fraud and Corruption Locally Strategy 2020
Government Counter Fraud Knowledge Hub
Skillgate