

**Report of the Head of Internal Audit,  
Anti-Fraud and Assurance**

**AUDIT AND GOVERNANCE COMMITTEE – 14<sup>th</sup> September 2022**

**CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT**

**1. Purpose of the Report**

1.1 This report provides the Audit Committee with an account of the work of the Corporate Anti-Fraud Team from 1<sup>st</sup> April 2022 to 31<sup>st</sup> August 2022.

**2. Recommendations**

**2.1 It is recommended that:-**

- i. The Audit Committee notes the progress report covering the period 1<sup>st</sup> April to 31<sup>st</sup> August 2022.**
- ii. The Audit Committee continues to receive regular progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.**

**3. Background Information**

3.1 The Audit Committee received details of progress in the Annual Fraud Report presented at the June meeting. This progress report highlights the work undertaken in respect of fraud management and investigations during the first five months of 2022/23.

3.2 Following a Finance Business Unit restructure (effective from June 2022) the team has been expanded from three to four officers and a successful recruitment exercise has been undertaken to fill two vacant positions. The team now comprises a Principal Auditor (Corporate Anti-Fraud), a Senior Corporate Investigations Officer and two Corporate Counter Fraud officers.

**4. Counter Fraud Work**

Fraud Alerts and Scams

4.1 Regular fraud alerts have been received from the National Anti-Fraud Network (NAFN). These bulletins have provided information and intelligence on emerging fraud threats and trends affecting members of the public and both the private and public sectors. The fraud risks have been shared with relevant officers and/or published via Corporate Communications or School Bulletins where applicable.

4.2 The Team have received nine alerts in the current financial year with payment diversion fraud being the main fraud attempt reported nationally. The Council has not made any payments to any of the suppliers concerned.

- 4.3 An alert relating to business rates fraud (July) did refer to an individual recognised by the CAFT and Business Rates Team. This individual had previously come to the attention of the CAFT in September 2021 by registering for business rates, making an overpayment on the account (via a bank card) and then requesting a refund to a bank account. The fraud had been prevented, by the Business Rates Team, as information provided by the fraudster was not supported by know facts relating to the business premise.

## **5. National Fraud Initiative (NFI)**

- 5.1 The NFI is the Cabinet Office's public sector data matching exercise. The main exercise takes place every two years and datasets in respect of the 2020/21 exercise were submitted in October 2020 and matched across systems and against data submitted by other organisations to identify potential fraud and/or error.
- 5.2 It is not a requirement that all matches are investigated and the CAFT have prioritised Key Reports (which relate to higher risk matches).
- 5.3 Outcomes from the 2020/21 have previously been reported to the Audit and Governance Committee and, as the 2022-23 exercise is due to commence in October, no further work is being conducted on these matches.
- 5.4 The Cabinet Office also requires council tax and electoral register data to be matched annually in order to identify potential single person discount fraud or error. Matches in respect of the latest exercise have identified errors totalling £23,821.72 with potential savings of £27,249.88\*.

\* The NFI Outcomes Methodologies calculate estimated savings by multiplying the annual council tax discount by 2 years.

## **6. Reactive Fraud Work**

### Investigations

- 6.1 A summary of the CAFTs reactive investigation work for the period April to August is shown at Appendix A.

### Counter Fraud Checks

- 6.2 The CAFT continue to provide counter fraud checks of submitted insurance claims and Right to Buy applications. These checks, including financial and residential verification, provide assurance that the claims/applications are genuine and bona fides.
- 6.3 CAFT has undertaken checks against 21 insurance claims during the financial year to date. These checks did not identify any evidence of fraud.
- 6.4 CAFT has undertaken checks against 57 RTB applications during the financial year to date. A summary of these referrals is shown below.

Details	No.
No evidence of fraud	53
Referred to DWP	1
Ongoing	3
Total	57

## 7. Preventative Work

- 7.1 The CAFT continue to have a focus on the preventative side of fraud.
- 7.2 Fraud awareness e-learning is incorporated into the induction process for new employees. Since April, a total of 122 employees have completed the training. This e-learning is currently being refreshed and revised and is due to be relaunched by the end of September.
- 7.3 Fraud transparency data has continued to be reported on the website as part of the Local Government Transparency Code 2015.
- 7.4 Other counter fraud work includes:
- Virtual attendance at the South Yorkshire Police Barnsley District OCG Bronze meetings;
  - The Principal Auditor (CAF) is a Yorkshire and Humberside Regional Representative for the 'Fighting Fraud and Corruption Locally' (FFCL) Regional Operational Group and a member of two national working groups which aim to share good practice in relation to data analysis and social care fraud;
  - The Principal Auditor (CAF) has attended virtual conferences and seminars to assist with the team's continuing professional development;
  - All CAFT officers are members of the Midlands Fraud Forum receiving weekly newsletters of fraud related news items, warnings of scams and alerts and good practise. Warnings are communicated to the relevant service area or publicised via Corporate Communications.
  - The two Corporate Anti-Fraud Officers have commenced a professional training qualification to become Accredited Counter Fraud Specialists;
  - A review and development of corporate training material through the POD system.
- 7.5 The progress and results of this work will be included in future reports to the Committee.

## 8. Emerging Risks

- 8.1 The Covid-19 pandemic and the current cost-of-living crisis have increased, and continue to increase, fraud risks for local authorities and members of the public. These risks mainly relate to organised crime attacks and social engineering fraud, although 'opportunistic' frauds have also increased nationally.
- 8.2 Meetings of the national and regional groups mentioned above have reported increases in the following types of fraud:

- Employee irregularities: working for more than one employer while working from home; working whilst off sick; taking payments over the phone while working at home and misusing payment card details; forging sicknotes (it was suggested that the lack of face to face doctor appointments may be making it easier for people to convince GPs to provide a sicknote); providing false references; misuse of corporate procurement cards (closure of main offices has increased the likelihood of items being ordered and delivered to home addresses).
- Increases in creditor and payroll diversion attempts which are becoming more sophisticated. In several cases the contact details of employees have been obtained that are not easily available e.g., admin staff whose details are not on the corporate website. Whilst this may suggest an "inside job", it may also be likely that fraudsters are trawling sites such as LinkedIn to identify staff with roles of interest in an organisation, and relevant working relationships between staff e.g., identifying an officer and their line manager. Most of these attempts rely on some form of social engineering, but there has also been a reported increase in the number of direct hacks of email accounts, either of suppliers or employees, leading to the accounts being "spoofed" in order to commit fraud.
- Evidence of organised crime groups/networks targeting local authorities - either direct attacks or involvement in activity affecting council services e.g., business rates, empty property fraud.
- Increase in tenancy fraud, possibly owing to fewer tenancy audits being carried out in the last 24 months.
- Misuse of service users' personal finances.

8.3 A Fraud Risk Vulnerability Self-Assessment document is currently being developed which will enable senior managers to assess their own services fraud risk vulnerability. The document provides a list of potential fraud risk areas and prompts senior managers to consider changing fraud and corruption risks as the Council moves to different ways of operating e.g., agile working, increasing use of online applications. The self-assessment will be issued to senior managers by the end of September recommending that the document is considered and completed at a service management team meeting.

8.4 The House of Lords has established a Committee to consider potential changes to the Fraud Act 2006, and identify measures required to mitigate the growing risk from cyber-enabled fraud. The Fighting Fraud and Corruption Locally Operational Group, referred to at 7.4 above, have provided a response on behalf of all local authorities. The main requests from local government were for:

- an extension of powers to enable local authority Authorised Officers to require the provision of information in relation to suspected offences

under the Fraud Act to mirror those in the Protection of Social Housing Fraud Act for example.

- an extension of the scope of summary offences to enable more cases to be heard in Magistrates' Courts.
- additional powers for local authorities to issue fines or civil penalties, similar to those currently available under Council Tax Support legislation, in relation to other services.

## 9. Plan Progress

9.1 A total of 645 days has been allocated to the Corporate Anti-Fraud Team for reactive and proactive fraud work in 2022/23.

9.2 The following table shows the progress of the Corporate Anti-Fraud Team plan delivery as at 31<sup>st</sup> August 2022 against the FFCL areas.

FFCL Area	Planned Days	Actual Days
Govern	83 (13%)	33 (40%)
Acknowledge	91 (14%)	31 (34%)
Prevent / Detect	275 (43%)	69 (25%)
Pursue	140 (22%)	73 (52%)
Protect	20 (3%)	0
Contingency	36 (5%)	0
Total	645 (100%)	206 (32%)

9.3 The key priorities over the next few months are shown below. These will be reported back to the Committee within the next update in March 2023.

Ref	Action	Timescale
1	Fraud Risk Vulnerability Self-Assessment	September 2022
2	Review of Fraud Awareness E-Learning	October 2022
3	Review of Privacy Notices	October 2022
4	Review / Corporate Use of NAFN	October 2022
5	Co-ordination of the 2022/23 NFI exercise	October 2022

## 10. External Clients

10.1 Whilst the primary focus for the CAFT is the Council, the team also offers a counter fraud service to Internal Audit's external clients. This external work is only undertaken where it is in the best interests of both the external client and the Council in respect of competing priorities and resources.

## 11. Financial Implications

11.1 The structure and budget that CAFT operate within has proven successful and provides sufficient resource required to carry out an efficient value for money anti-fraud service.

11.2 Identifying a definite amount to be recognised as the impact of the CAFT is difficult beyond such results as the single person discount and other benefit fraud work as much of the work of CAFT is about avoiding loss. The NFI

produce an 'Outcomes Calculation Methodology' document that seeks to put a value on the results of 'fraud avoidance'. For example:

£575 per blue badge cancelled to reflect lost parking charges  
£93,000 per property recovered through tenancy fraud  
£72,000 per Right to Buy application withdrawn

11.3 These (and other) calculations are used to estimate the national impact of fraud. Reflecting on these figures together with the periodic results from SPD exercises demonstrates that the CAFT more than pays for itself every year in direct activity and contributes additional fraud / loss avoidance through fraud awareness training, policy review and advice.

## **12. Risk Considerations**

12.1 Somewhat obviously, the process prompted by this work is focussed entirely on the effective assessment of fraud risk.

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**Summary of Reactive Work**

Fraud Type	b/f from 21/ 22	Referrals Received	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	In progress	Frauds No.	Prosecutions No.	Other Action	Value	Notional
Blue Badge	0	2	2	1	1	0	1	0	0			
Council Tax	5	12	17	7	10	1	6	0	0		£251.73	
Council Tax SPD	5	23	28	9	19	1	8	0	0	1 case identified a non-eligible discount	£296.83	
CTRS	4	40	44	4	40	1	3	0	0	Overpayment of discount identified	£301.52	
Housing Benefit	2	11	13	3	10	0	3	0	0			
NDR	0	1	1	1	0	0	1	0	0			
Tenancy	15	13	28	21	7	1	6	0	0	The tenancy of one property was terminated due to non-residency		£93,000
Social Care	0	2	2	2	0	0	2	0	0			
School Admissions	0	1	1	1	0	0	1	0	0			
Corporate	0	2	2	1	1	0	1					