

**AUDIT COMMITTEE**  
**Thursday, 25 July 2024**

PART I

**Annual Fraud Report 2024**  
**(DoF)**

**1 Summary**

1.1 This report informs Members of the work of the Fraud Section for the financial year 2023-2024 and to date and provides updates on progress and developments.

**2 Details**

2.1 The fraud service is provided in house as part of the finance shared service between Three Rivers DC and Watford BC. Three Rivers DC is the lead authority and employs the staff within the service. The details below apply to both councils unless otherwise stated.

2.1.1 The councils have a zero tolerance of fraud and corruption.

2.1.2 Minimising fraud and irregularity is essential to ensure resources intended to provide services are maintained. Fraud is the most commonly experienced crime in the UK, accounting for around 41% of all crime. In the public sector, it is estimated that at least £33.2 billion of taxpayer money is lost to fraud and error each year. Fraud is a crime that affects everyone.

2.1.3 Furthermore, It is estimated from the National Fraud and Error report by the Department for Work and Pensions (DWP) for the financial year ending 2023 that Housing Benefit overpayments classified as Fraud nationally amounted to £520m (3.5%). In respect of Universal Credit (including housing costs) fraud estimates amounted to £5,010m (11.5%). These statistics are derived from a 0.06% sample of benefit claims randomly selected from DWP's administrative systems (around 13,600 cases were sampled). The number of Housing Benefit payments made by the Councils are reducing year on year as customers migrate to Universal Credit which includes payment of housing costs where appropriate. From December 2015 housing benefit only investigations migrated to the DWP following the Governments creation of the Single Fraud Investigation Service (SFIS). The DWP must investigate all Housing Benefit allegations and powers previously available to the Council to investigate were removed.

2.1.4 The harm caused by fraud is not just financial: it damages local communities, can cause reputational damage and a loss of confidence amongst the public, stakeholders and have an adverse effect on staff morale. Fraudsters are a committed, capable and evolving adversary and the public sector is just as affected by this crime as other sectors.

2.1.5 It is vital therefore that we have a strong anti-fraud culture underpinned with effective counter-fraud policies and good practices and procedures.

2.1.6 Fraud does not fit neatly within geographical boundaries of the councils. Therefore the fraud team have an important role in collaborative working involving the exchange of information and intelligence between the council and other agencies. It is the

conduit for identifying and sharing emerging fraudulent threats in the form of alerts through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB), the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel (FAP) and the National Anti-Fraud Network (NAFN).

2.1.7 The Anti-Fraud & Corruption Strategy (AFCS) , the mechanism for achieving a commitment to reduce losses to fraud and corruption, was revised and approved in 2022 and remains current. The AFCS is supported with the Sanctions Policy and Anti Bribery Policy. The Sanctions Policy sets out the Councils policy towards sanctions, including criminal prosecutions, relating to offences committed by both internal (e.g. employees, members, contactors, etc.) and external offenders. The Anti Bribery Policy, provides a framework to enable employees and Members to understand and implement arrangements enabling compliance.

2.1.8 The objectives set out in the AFCS are;



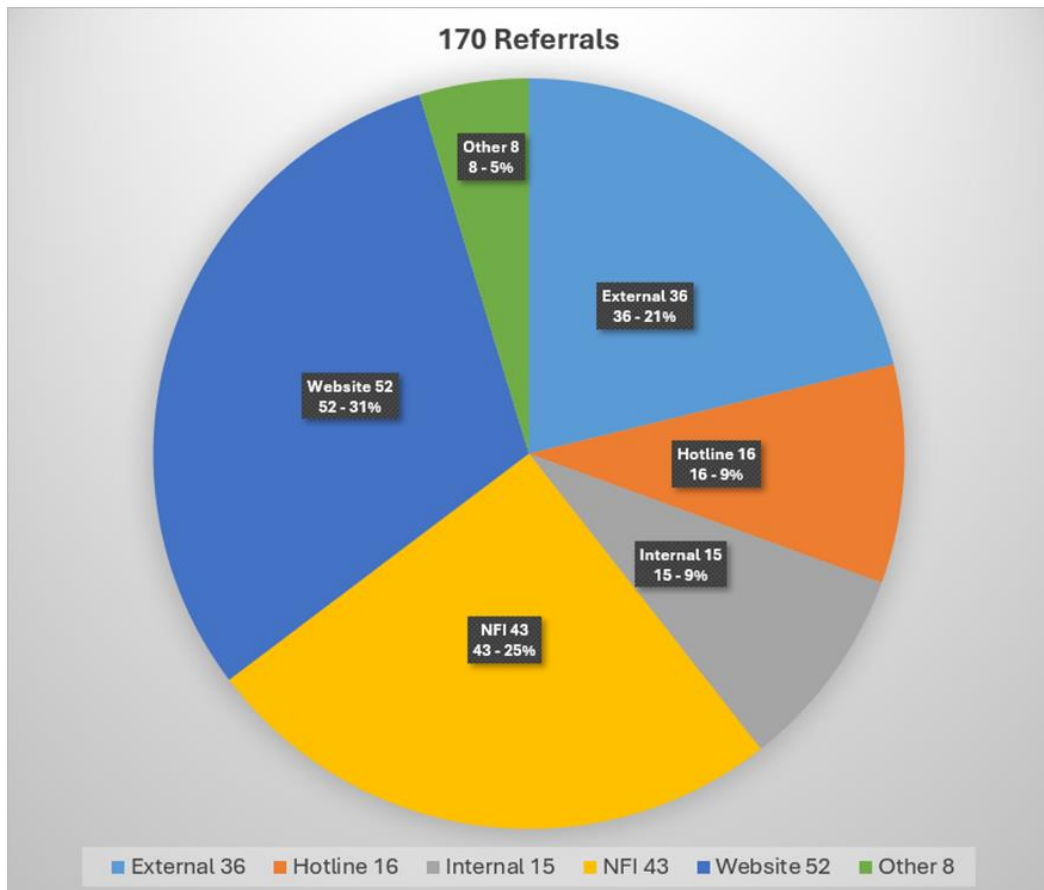
2.1.9 The councils Regulation of Investigatory Powers Act 2000 (RIPA) policy was also revised to reflect and align with the new codes of practice and authorising officers.

2.1.10 The fraud team no longer reviews bulk council tax discounts and exemptions. This service is now provided by NEC Software Solutions in partnership with Herts County Council and a county wide initiative.

2.1.11 Joint working with the DWP still remains limited despite a desire from the councils across Hertfordshire. Discussions with them at a senior leadership level continue with a commitment from the DWP to review their resources at an operational level in Herts and Beds. Currently we have 4 Joint investigations with the DWP.

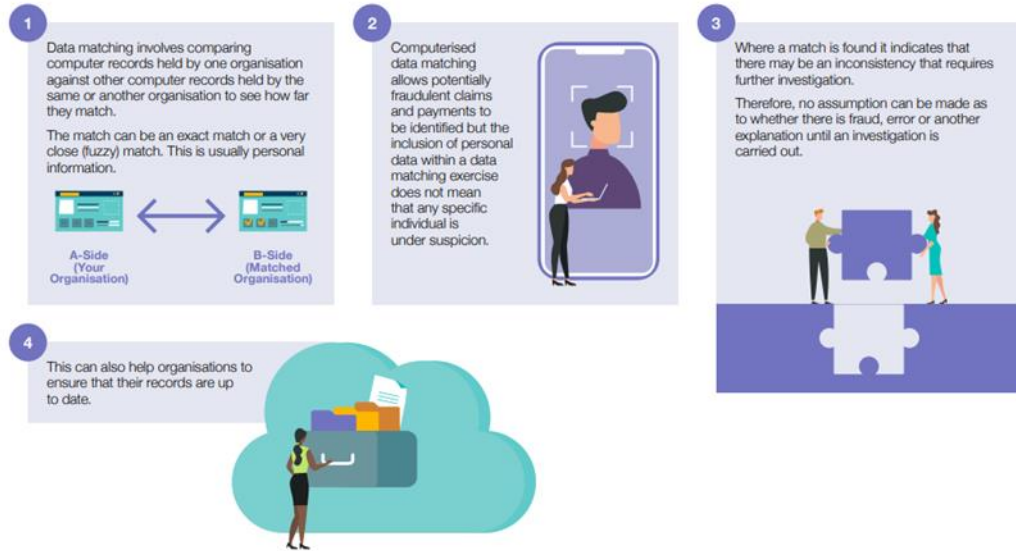
2.1.12 During 2023/24 we responded to 36 requests for intelligence. This involves sharing information legally for the correct purpose and includes providing witness testimony.

2.1.13 Details of referrals received are shown in the table below;



- 2.1.14 We responded to 75 requests for information known as a LAIEF (Local Authority Information Exchange Form) from the DWP. The lawful requests for intelligence and information vary from evidencing documentation held to providing overpayment adjustments and respective supporting witness testimony.
- 2.1.15 In respect of Council Tax Reduction, a local legal framework is in place to define who is entitled to the reduction and to reduce fraud from entering the system at inception. It is an integral part of the administration that everyone is aware and vigilant of the risks. Unfortunately, however good the administration of benefits is, it is always likely fraud will enter the system by deliberate acts.
- 2.1.16 In April 2024 the Council introduced a revised Council Tax Reduction (CTR) scheme. The previous scheme having been introduced in April 2013 as a replacement for the Council Tax Benefit scheme. The new scheme is divided into two, with pension age applicants receiving reduction under the rules prescribed by Government, and the scheme for working age applicants being determined by the Council. The new discount scheme is intended to be less reactive to changes in circumstances and less costly to administer. Only significant changes in income would affect the level of discount. Furthermore, those recipients in receipt of Council Tax Reduction calculated using their passported benefit Universal Credit (UC) would have to be investigated the Department for Work and Pensions if it is suspected their UC rate is incorrect or fraudulent. Currently we have 24 CTR investigations.
- 2.1.17 A total of 129 cases were completed with overpayments relating to national benefits of circa £63,000.
- 2.1.18 Data Matching

## What is data matching?



2.1.19 The service continues to take part in data-matching exercises. These include the National Fraud Initiative (NFI) which is facilitated by the Cabinet Office and now incorporated into the Data and Intelligence Services of the Public Sector Fraud Authority (PSFA). The PSFA was launched by the Government in August 2022 . It is an exercise that brings together a wide range of organisations, working together to tackle fraud using techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. Participants of the NFI include 1200 organisations that comprise of other local authorities, police authorities, NHS bodies etc. These matches are not just confined to fraud but also include erroneous payments in respect of creditors and payroll. Examples of some matches are shown below;

Data Match	Possible fraud/ error
Council Tax payments to payroll records, student loans, taxi drivers	Claiming discounts or reductions by failing to disclose an income
Payroll records to records of failed asylum seekers and records of expired visas	Obtaining employment while not entitled to work in the UK
Council Tax records to electoral register	A council tax payer gets single person's discount and has not declared other persons living in the property
Payroll records to other payroll records	An employee is working for the council but has employment elsewhere that is not declared.
Immigration matches	To identify instances where the person may not be entitled to benefit because of their immigration status.
Housing waiting lists	To identify possible cases where an individual appears to be resident at two

	different addresses. For example where an address differs from the one they have declared on their waiting list application
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2.1.20 The following information relates to the current exercise to date;

WBC	Matches closed	807
TRDC	Matches closed	693
WBC	Investigations ongoing	16
TRDC	Investigations ongoing	10
WBC	Matches closed not set as error or fraud	774
TRDC	Matches closed not set as error or fraud	614
WBC	Matches closed as error	33
TRDC	Matches closed as error	79

2.1.21 Three Rivers DC – NFI estimate the savings attributable to having removed applicants from the housing waiting lists to be £316,942.

Watford BC - NFI estimate the savings attributable to having removed applicants from the housing waiting lists to be £118,747. In addition there were savings of £1436 for duplicate creditor payments now repaid.

2.1.22 The Fraud Service is currently engaged in conducting verification checks for Three Rivers DC in respect of Business Energy Efficiency Grants.

2.1.23 A service re- design is being considered to deliver savings to both Councils.

### **3 Options and Reasons for Recommendations**

3.1 The purpose of this report is to inform Members of the work of the Fraud Section for the financial year 2023-24 and to date.

### **4 Policy/Budget Reference and Implications**

4.1 The recommendations in this report are within the Council's agreed policy and budgets. The relevant policy is entitled Anti Fraud and Corruption Strategy and was agreed on 12 September 2022 (PR/49).

None specific.

### **5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications**

5.1 None specific.

**6 Recommendation**

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**Data Quality**

Data sources: Incase, NFI

Data checked by: Garry Turner, Fraud Manager

<b>1</b>	<b>Poor</b>	
<b>2</b>	<b>Sufficient</b>	<b>x</b>
<b>3</b>	<b>High</b>	

**APPENDICES / ATTACHMENTS**