

REPORT TO:	AUDIT & GOVERNANCE COMMITTEE 19 October 2023
SUBJECT:	Anti-Fraud Update Report 1 April 2022 – 30 September 2023
LEAD OFFICER:	Malcolm Davies, Head of Anti-Fraud, Risk & Insurance
CABINET MEMBER	Councillor Jason Cummings Cabinet Member for Finance
WARDS:	All
<p>The work of the Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services. The detection of fraud and better anti-fraud awareness contribute to the perception of a law-abiding Borough.</p>	
<p>FINANCIAL SUMMARY:</p> <p>The net budget for the antifraud service as a whole for 2022-23 is £0.366m including £0.189m HRA contribution and the service is currently delivering within budget.</p>	

1. RECOMMENDATIONS

1.1 The Committee is asked to:

- Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2023 – 30 September 2023

2. EXECUTIVE SUMMARY

- 2.1 This report and appendix details the performance of the Council's Corporate Anti-Fraud Team (CAFT) together with an update on developments 1 April 2023 – 30 September 2023

3. DETAIL

Developments 1 April 2023 to 30 September 2023

- 3.1 The CAFT comprises 5 investigators covering tenancy, corporate and financial investigations and is part of the larger shared counter fraud service led by Lambeth. The team are also supported by a 'client side' Intelligence Officer. The anti-fraud service investigates allegations of fraud or corruption which affect the Council's activities. In addition, the team generates an income by providing services to other London Boroughs.
- 3.2 CAFT has gradually adopted processes carried out by Lambeth, such as the review of all housing successions, assignments and Right to Buy applications. In the year to date one Right to Buy application was prevented, with a saving to the public purse of £105,400. In addition, the team has delivered one formal caution, denied one housing application, and recommended two instances of downsizing of households, freeing up larger properties for those in need.
- 3.3 A number of other proactive preventative counter fraud measures are being explored or have been implemented including the routine vetting of all staff both permanent and interim for any fraud concerns before they are employed by the council as laid out in the case study below.
- 3.4 **Case Study: Staff Vetting.**

The shared service with Lambeth has already seen a number of changes to the way the Corporate Anti-Fraud team operates as detailed above; the routine screening of all staff whether temporary or permanent before employment for any concerns of fraud is another example of the positive development of the service.

The Credit Industry Fraud Avoidance System (Cifas) is a not-for-profit organisation that has been operational since 1988. It's mission is 'to detect, deter and prevent fraud in society by harnessing technology and working in partnership'. Membership covers most large financial institutions and there has been a recent drive to include local authorities as members. The scheme operates as follows:

- Members identify fraud carried out by staff or customers that is deemed to be reportable to the police – there is no requirement for it to be reported

- The member organisation will file the incident on the database and will include the name, date of birth, national insurance number and other details relating to the perpetrator – details are retained for 6 years
- Organisations with access to the database will check the database when they are recruiting, or perhaps accepting a new customer (such as banks, insurers etc.)
- If records are held, the organisation that identifies the record can contact the filing organisation for more details

Croydon has been using Cifas as part of vetting for all recruitment, including agency, for several months. Since April 2023, HR and CAFT have reviewed 397 successful candidates for roles at the council, of which approximately 60% have been in agency roles. Of these, 10 have had their offers of employment withdrawn due to records held in Cifas relating to fraud, primarily against banks. In most cases identified candidates have misused the facility or retained a wrongful credit, often relating to funds being obtained fraudulently from victims. The funds are generally withdrawn by the perpetrator before the bank can prevent the loss.

National Fraud Initiative

- 3.5 In addition to some of the workstreams identified above the council, is now also proactively exploiting the opportunities afforded by the Cabinet Office 'National Fraud Initiative' (NFI) for the prevention of fraud and error. This activity falls into 2 main workstreams, the NFI national exercise and secondly 'fraud hub'.
- 3.6 The NFI national exercise takes place every two years, whereby participating bodies (including all Local Authorities) submit data to the NFI secure website. The NFI system matches data within and between bodies to identify potential anomalies, referred to as 'matches'. Matches are made available to participating bodies for them to review, investigate and record outcomes from those investigations.
- 3.7 In total 120 reports are made available to Croydon Council which include matches in the areas of Housing Benefits, Housing Tenancies, Housing Waiting Lists, Right to Buy, Pensions, Payroll and Council Tax Reduction Scheme. Working through the matches from the latest national exercise has to date identified £170k of cashable 'outcomes'.
- 3.8 A good example of this type of report is the 'Council Tax Reduction Scheme to Council Tax Reduction Scheme report' which is designed to identify individuals that are claiming council tax reduction from more than one local authority simultaneously. To date this matching exercise with other Local Authorities has enabled the recovery of more than £40K in council tax revenues for Croydon.
- 3.9 The second workstream and a more recent development is Croydon joining the NFI 'Fraud Hub'. This enables the type of data matching outlined above to be conducted by Croydon 'on demand' rather than waiting for an 'every other year' national exercise and therefore becomes more proactive by preventing fraud, rather than identifying and reacting to fraud that may have already taken place.

- 3.10 Fraud Hub initial efforts are concentrating on routine mortality screening using the General Registrars Office '*Disclosure of Death Registration Information*' (DDRI) report available via Fraud Hub. This report is refreshed fortnightly and can then be matched against relevant council systems to identify instances where individuals have died but, for whatever reason, the information has not been passed onto the relevant council service(s).
- 3.11 A starting point for mortality screening has been the Council's pensions service and initial results have been successful in picking up instances where individuals have died but the pensions service had not been informed. Receipt of a fortnightly report via fraud hub will enable the pension service to act promptly in suspending pensions where appropriate and prevent overpayment of pensions which can be difficult to recover.
- 3.11 Future Fraud Hub developments include routine mortality screening against Blue Badge holders, which is now quite far advanced and housing tenancies now in development.

4. INVESTIGATIONS

- 4.1 Fraud investigations relate to a broad section of service areas within the Council including:
- Environmental enforcement
 - Housing
 - Parking
 - Trading Standards - trademark and rogue trader cases
 - Planning – enforcement cases
 - Licensing
 - Internal cases
 - Safeguarding cases
 - Revenues & Benefits
 - Financial investigations

Details of trends in investigations and performance to date are set out in Appendix 1

5. LOCAL GOVERNMENT TRANSPARENCY CODE

- 5.1 Members will be aware of the Local Government Transparency Code 2015 which requires Councils to publish data about various areas of their activities. Included in the code is detail on Counter Fraud work, most of this information has always been reported to committee; however below are some additional areas which we are required to make public. The figures detailed below are for the last full year from 1 April to 31 March 2023:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	8
Total number of employees undertaking investigations and prosecutions relating to fraud	5
Total number of full-time equivalent employees undertaking investigations and prosecutions of fraud	5
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	5
Total number of full-time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	5

6. FINANCIAL AND RISK ASSESSMENTS

- 6.1 The net budget for the antifraud service is £0.366m for 2022-23 including £0.189m HRA contribution and the service is currently delivering within budget.
- 6.2 There are no further financial implications than those already detailed within the report.
- 6.3 Comments approved by Lesley Shields, Head of Finance for Assistant Chief Executive and Resources on behalf of the Director of Finance (19.9.2023).

7. LEGAL IMPLICATIONS

- 7.1 The Corporate Director of Resources and Chief Finance Officer has a statutory responsibility under Regulation 4 of the Accounts and Audit Regulations 2015 to determine the Council's financial control systems, and those systems must include measures "to enable the prevention and the detection of inaccuracies and fraud". In addition, under Section 151 of the Local Government Act 1972 the Council must make arrangements for the proper administration of its financial affairs.
- 7.2 The Council also has a duty under Section 17 of the Crime and Disorder Act 1998 to exercise its functions with due regard to the need to do all that it reasonably can to prevent crime and disorder in its area.
- 7.3 Separately, the Council as a best value authority "must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (Section 3 Local Government Act (LGA) 1999). The best value duty applies to all functions of the Council. The Council is the subject of Directions from the Secretary of State requiring service improvement and transformation. The work of the Corporate Anti-Fraud Team is key to the delivery of good quality and responsive services to residents and meeting the Council's best value duty.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer (21/9/2023))

8. HUMAN RESOURCES IMPACT

- 8.1 There are no immediate HR implications arising from the content of this report. Should any matters arise these will be managed as appropriate through the Council's HR policies and procedures.

(Approved by: Gillian Bevan, Head of HR – Resources and Assistant Chief Executives Office on behalf of Dean Shoesmith, Chief People Officer)

9. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS

- 9.1 There are no further considerations in these areas.

10. EQUALITIES IMPACT ASSESSMENT

- 10.1 There are no equality implications in this report. An EQIA has been carried out on the Anti Fraud policy and will be revised in due course
Approved : Denise McCausland Equalities Programme Manager.

11. DATA PROTECTION IMPLICATIONS

11.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

No, this report is for information only.

11.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

No DPIA has been completed as no personal data is used in the report. Any cases studies used do not include personal identifiers such as name and address

(Approved by: Jane West, Corporate Director of Resources & S.151)

CONTACT OFFICER: Malcolm Davies (Head of Anti-Fraud, Risk & Insurance)

Appendices

Appendix 1 Corporate Anti-Fraud Performance and Trends April to September 2023